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Economic Outlook for Families — 1986[1]

By Colien Hefferan
Economist

The economic environment in which families make decisions was characterized by sustained growth and moderate price increases in 1985. Slow growth in Gross National Product (GNP) and prices is projected for 1986.

Real GNP rose at a 4.3-percent annual rate in the third quarter of 1985, compared with a 1.1-percent annual rate in the first half and a 2.8-percent rate since mid-1984.[2] Growth was led by a strong increase in consumer spending in July, August, and September, with real final sales increasing at a 4.1-percent annual rate.[3] Prices, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), rose 0.2 percent each month during the third quarter to an overall level 3.2 percent higher than the same quarter of 1984.[4]

Consensus forecasts for 1986 are generally conservative, suggesting real GNP will increase about 2.5 percent and prices 4.0 to 5.0 percent. Few forecast a major recession in 1986; similarly, few forecast strong, sustained growth. Factors that bode well for the economy in 1986 include a high level of consumer confidence; stabilizing, and in some cases declining, energy prices; and small inventories. Potential problems include persistently high real interest rates, high debt levels, surging imports, and excess industrial capacity.

Although economic growth and relative price stability during the past several years have improved the economic security of many families, the process of growth has been uneven and has created risks for individuals and families. Growth requires that both labor and capital be continuously reallocated to their most efficient uses. In this process, new industries replace established ones and production shifts from one sector, region, or nation to another.

The process of resource reallocation, coupled with other economic trends such as shifting imports and exports and changing demand for products and skills, have been particularly critical for some segments of the population. Farmers and their families; workers in mining, heavy industries, and textiles; and households with just one adult available to work have seen their opportunities for advancement and financial security diminish. In addition, all families find that in periods of rapid economic change financial decision making is both more complicated and more important.

This paper reviews the economic conditions and trends affecting both the income and expenditure sides of the family ledger, as well as indicators of the ability of families to balance the two. Financial management issues are examined in light of current economic conditions and the outlook for families.

Employment and Income

Employment and income trended upward in 1985, extending a 3-year path. Both are likely to continue growing in 1986, although at a diminishing rate.

Civilian employment reached 107.9 million in October, matching the record high employment-population ratio of 60.3 percent set in March 1985.[5] Over the year the number

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[1] This article is adapted from a paper presented at the Agricultural Outlook Conference in December 1985 in Washington, DC.

[2] Estimates of GNP are published monthly in the Survey of Current Business, U.S. Department of Commerce, Bureau of Economic Analysis.

[3] October figures are based on flash estimates compiled from limited and preliminary data and therefore are subject to considerable revision.

[4] Monthly CPI data are published in News and the CPI Detailed Report, U.S. Department of Labor, Bureau of Labor Statistics. Current CPI information is also available via taped telephone message at 202-523-1239.

[5] Employment data are published monthly in News and Employment and Earnings, U.S. Department of Labor, Bureau of Labor Statistics.

employed increased 2.2 million. Most of the employment gains occurred among adult women. Service sector and white-collar jobs were the primary focus of growth. More than half of the increase was among managers and professionals; in addition, strong gains were shown among administrative support workers. Manufacturing employment, including machine operators, assemblers, and inspectors, declined during the January-September period, however.

Unemployment in 1985 stabilized near the 7 percent level, although rates varied widely by population and occupational groups. For example, in October, when the unemployment rate for all civilian workers was 7.1 percent, unemployment was 6.1 percent among whites, compared with 15.0 percent among blacks, and 6.2 percent among adults, compared with 20.1 percent among teenagers. Managerial and professional workers experienced 2.3 percent unemployment compared with 10.6 percent for operators, fabricators, and laborers.

Employment, of course, is the major factor influencing income. Wage and salary income, which amounts to about 60 percent of personal income, sustained growth of nearly 6 percent in 1985. Growth in total personal income, as measured in the aggregated National Income and Product Accounts (NIPA), slowed sharply in recent months, however, to an annual rate of 4.7 percent, down from 7.4 percent at the beginning of 1985. Declining farm income and personal interest income account for much of the slower growth in total income over the year.

The trend toward erosion of earned income and expansion of nonearned income that prevailed early in the decade will be reversed if wages continue to lead income growth in 1986. This would mean that relative income gains made by nonfamily households, including single elderly persons, would be lost (3). On the other hand, with trade pressures and with unemployment above its historical average, wage growth is likely to moderate in 1986. This would mean that gains would be similar across all sources of income and consequently the relative income position of earners and nonearners would remain about the same in 1986 as earlier in the decade.

The population is changing. There is a growing cohort of persons ages 25 to 39 in the population. This change most often has been associated with spending patterns, credit use, and saving, but it also has important implications for job opportunities and income levels. The economy has successfully expanded to create jobs for new workers; however, it has been less successful in creating opportunities for advancement. Currently, there is evidence of a growing "opportunity crunch" in which many workers find there are few chances for advancement. A growing number are responding by assuming the risks of self-employment and are joining the entrepreneurial movement. As more families have two earners, the costs and risks of self-employment are more easily borne within households. Self-employed workers and their families carry an extra burden for financial management activity in order to assure that they maintain adequate health insurance and retirement plans.

There are related employment and income consequences arising from changes in the population. As more families have entered the childbearing and rearing years, geographic mobility has declined. In 1970, one in five households moved; in 1984, one in six moved. Like the trend in self-employment, mobility also may be influenced by growth in the number of two-earner families.

Reduction in the poverty rate has been an important consequence of growing personal income. After increases in the number and percent of persons below the poverty line in 1982 and 1983, the poverty rate declined to 14.4 percent in 1984.[6] Following the pattern set in 1982 and 1983, however, poverty is

[6] The poverty threshold for a family of four was $10,609 in 1984. It is expected to increase to about $11,000 in 1985. See "Poverty thresholds and poverty guidelines," Family Economics Review 1985(1):17-18, for details on calculation.

becoming more concentrated among households with children under 18 years old, whereas households headed by persons 65 and older are less likely to be in poverty.

The poverty population may be changing in other ways as well. Duncan et al. argue that from year to year "an astonishing amount of turnover takes place in the low-income population" (1, p. 3). Changes in family composition, especially divorce and remarriage; movement into and out of the labor force; and other critical life events, such as illness and disability, generate massive swings in income and demands on income. Households in which the breadwinners work in trade-sensitive industries and those with only one earner will be especially vulnerable to such swings in 1986.

Information on household income lags that available on aggregate personal income by about 1 year. The latest figures show median family income rose to $26,433 in 1984, 3.8 percent above the 1983 level after adjusting for inflation (see table 1). Families in the West, married-couple families, and female-headed families with no husband present showed the greatest income gains. Although household income data for 1985 will not be available until the March 1986 Current Population Survey, trends in the personal income component of the NIPA, as well as continued labor force expansion, suggest that the income growth experienced in 1984 will extend into 1985 and 1986.

A major issue influencing income available to families in 1986 is proposed income tax reform. In 1983, the most recent year for which data are available, taxes absorbed about 21 percent of total income received by households (6).[7] Although the tax liability of families has declined in recent years as a result of the Economic Recovery Tax Act of 1981, not all families have benefited equally. The tax burden on families with children, female-headed families, and poverty level households has been of particular concern.

[7] Taxes included Federal individual income taxes, State individual income taxes, FICA and Federal retirement payroll taxes, and property taxes on owner-occupied housing.

The House Select Committee on Children, Youth, and Families evaluated major tax reform proposals, concluding that those most "pro-family" adjusted the personal exemption to better accommodate the rising cost of children, increased the standard deduction or zero-bracket amount to reduce or eliminate tax on poverty level households, and extended tax-deferred Individual Retirement Accounts (IRA's) to full-time homemakers (7, 8). Many of these reforms are incorporated into tax plans currently debated in Congress (see table 2).

Expenditures

Consumer spending has driven the recent upturn in the economy much as it has led economic growth during the past several years. The question for 1986 is whether consumers can sustain spending at levels sufficient to continue fueling economic growth.

Spending is determined by willingness and ability to buy. Both of these factors were in abundant supply in 1985. The Index of Consumer Sentiment registered 96.0 in January 1985, up three points from its level at the close of 1984.[8] Although down slightly in September at 92.1, it continued strong throughout the year. Similarly, consumers entered 1985 with high and growing levels of personal income. Problems that may have distorted spending patterns in the past--such as rapid and erratic price increases, high nominal interest rates, and prolonged unemployment--were resolved for many families in 1985.

Inflation continued a subdued course in 1985. The price of consumer goods increased at an annual rate of only 0.4 percent from March through September. Aided by a flood of Japanese and European

[8] This measure of consumer confidence is collected as part of the Survey of Consumer Attitudes by the Institute for Social Research, University of Michigan.

imports, the price of durable goods actually declined at a 4.5-percent annual-adjusted rate during the same period. Services, led by medical care, increased at a 5.3-percent annual rate, bringing the CPI-U to a 2.8-percent annual rate of increase for March through September. This year is expected to end with about a 3.3-percent increase in prices.

After years of living with the "false charm of inflationary growth" (5, p. 49), moderating costs have raised a new and somewhat unexpected concern: How to cope with the rigors of a noninflationary economy. In the seventies, inflation reduced the real cost of borrowing, encouraging families to mortgage future earnings to meet current consumption needs and wants. Inflation also reduced the value of cash balances, leading some families to deplete cash reserves in favor of illiquid, but inflation-resistant, assets. Today these households find that

Table 1. *Comparison of median family money income in 1984 and 1983, by selected characteristics*

Characteristic	Median family income			Percent change in real money income
	1984	1983		
		Constant dollars	Current dollars	
All families	$26,433	$25,465	$24,580	3.8
Race of householder:				
White	27,686	26,684	25,757	3.8
Black	15,432	15,028	14,506	2.7
Spanish origin[1]	18,833	17,566	16,956	[2]7.2
Region:				
Northeast	28,487	27,638	26,678	3.1
Midwest	26,753	25,620	24,730	4.4
South	24,094	23,305	22,495	3.4
West	28,077	26,513	25,592	5.9
Type of family:				
Married-couple family	29,612	28,268	27,286	4.8
Wife in paid labor force	34,668	33,263	32,107	4.2
Wife not in paid labor force	23,582	22,678	21,890	4.0
Male householder, no wife present	23,325	22,631	21,845	3.1
Female householder, no husband present	12,803	12,213	11,789	4.8

[1] Persons of Spanish origin may be of any race.
[2] Not statistically significant at .05 level.

Source: U.S. Department of Commerce, Bureau of the Census, 1985, Money income of households, families, and persons in the United States: 1983, Current Population Reports, Consumer Income, Series P-60, No. 146; calculations based on unpublished data from the March 1985 Current Population Survey.

Table 2. ***Selected features of current Federal income tax law and tax reform proposals before Congress, December 1985***

Feature	Current law (1986)	Administration proposal	H.R. 3838
Individual tax rates	14 brackets from 11 to 50 percent, indexed.	3 brackets: 15, 25, and 35 percent, indexed.	4 brackets: 15, 25, 35, and 38 percent, indexed.
Exemptions	$1,080, indexed.	$2,000, indexed.	$2,000, indexed, for nonitemizers. $1,500, indexed, for itemizers.
Standard deductions:			
Single	$2,480, indexed.	$2,900, indexed.	$2,950, indexed.
Joint	$3,670, indexed.	$4,000, indexed.	$4,800, indexed.
Head of household	$2,480, indexed.	$3,600, indexed.	$4,200, indexed.
Two-earner deduction	Yes.	No.	No.
Child care expenses	Tax credit of 30 percent, up to $720 for singles, $1,440 for marrieds.	Tax credit of 30 percent, up to $720 for singles, $1,440 for marrieds.	Tax credit of 30 percent, up to $720 for singles, $1,400 for marrieds.
Income averaging	Yes.	No.	No.
Health insurance	Employer paid premiums not taxed as income.	Employer paid premiums taxed up to $120/year for individual, $300/year for family.	Employer paid premiums not taxed as income.
Itemized deductions:			
State and local taxes	Deductible.	Not deductible.	Deductible.
Mortgage interest	Deductible.	Deductible for principal residence.	Deductible for 2 residences.
Other personal interest	Deductible.	Limited to $5,000 over investment income.	Limited to $20,000 over investment income.
Retirement savings:			
IRA	$2,000.	$2,000.	$2,000.
Spousal IRA	$250.	$2,000.	$250.

Source: Joint Committee on Taxation and House Ways and Means Committee, 99th Congress of the United States.

paying back debt with noninflated wages can severely strain the family operating budget. Similarly, inflation-resistant assets such as housing and farmland--which families borrowed money to purchase or borrowed against to finance other investments or needs--may have declined in value, resulting in declining net worth and increasing risk of bankruptcy.

Financial readjustments have been required for others as well. Retired persons living on interest income from savings have seen their earnings sink as inflation and, subsequently, nominal interest rates have declined. Many have responded by switching to high-risk investments in search of the inflated yields to which they became accustomed in the late seventies and early eighties. Some unionized workers who earned double-digit wage increases several years ago now are experiencing 2- and 3-percent nominal wage increases, resulting in stagnant or declining real wages.

Most families have benefited from disinflation, however. Those purchasing durable goods, such as cars, saw falling prices during 1985. Households with adjustable rate mortgages have paid declining mortgage payments. Savers setting aside money for long-range goals, such as education of children and retirement, became more confident of future purchasing power. Most importantly, disinflation has restored rational incentives to the economy, reducing speculative buying and investing. This has led to better market information for consumers, who, in turn, can make purchase decisions based on real needs rather than in anticipation of price increases. At the same time, investment has moved toward long-term expansion of productive capital rather than short-term financial manipulation. This lays the groundwork for future economic growth and steady improvement in family economic well-being.

Prices are poised for a modest upturn in 1986. Wage settlements negotiated in 1985 and anticipated for 1986 will put slight upward pressure on prices. Similarly, import restrictions currently debated could cost consumers more for clothing, sugar, automobiles, and home electronics. The prices of other basic consumer commodities, such as food and energy--which have been stable or declining in 1985--are unlikely to increase significantly in 1986.

Interest rates, like prices, exert a strong influence on consumer spending, particularly for durable goods, such as appliances and autos, and for housing. Although real interest rates remained high, nominal rates paid by consumers have declined steadily in 1985. For example, the average rate for 48-month new car loans offered by commercial banks was 13.16 percent in May 1985, compared with 13.71 percent in 1984.[9] Promotional rates offered by manufacturers and dealers in August and September further reduced the average rate for new car loans by 2 percentage points. Similarly, conventional mortgage rates declined more than 1 percentage point during the year to about 11 percent. As a result, auto sales reached a 9-year high in September and housing starts and sales generally maintained an upward path in 1985.[10]

The outlook for consumer interest rates in 1986 is clouded by continuing controversy concerning the impact of funding the Federal deficit on the demand for credit and uncertainty concerning Federal Reserve Board domestic monetary policy actions in light of the strength of the U.S. dollar. As much as 50 percent of net savings in the economy may be absorbed by Federal credit demands in 1986. This could place upward pressure on all interest rates, including those charged to consumers. At the same time, in efforts

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[9] Interest rate data are published in the Federal Reserve Bulletin, Board of Governors of the Federal Reserve System.

[10] Housing starts dipped to a 1.6 million-unit annual rate in September, down from about 1.8 million earlier in the year. The industry consensus is that this was an aberration that will be corrected before the end of the year.

to further reduce the value of the U.S. dollar relative to foreign currencies, the Federal Reserve Board may act to ease monetary policy, thereby reducing interest rates. The unknown probabilities of these conditions and actions, combined with uncertain estimates of their consequences, have created wide and varied forecasts for interest rates. Predictions range from a 3-percentage-point increase to a 2-percentage-point decrease in mortgage rates and a 2-percentage-point increase to a 1-percentage-point decrease in installment rates. Real interest rates should remain in the same broad range in 1986 as in 1985, however, because deficit funding activities and Federal Reserve policies will have similar effects on both nominal interest rates and inflation.

What may differ in 1986, however, is consumer demand for adjustable rate loans. Adjustable rate instruments account for almost half of all new mortgages and perhaps 20 percent of new installment loans (2). These instruments allow lenders to shift the risk of fluctuating interest rates to borrowers. When interest rates were high, consumers flocked to adjustable rate loans that offered initial rate discounts. As rates stabilize, most consumers are likely to prefer the security of fixed rate financing for their homes and durable goods.

Households spent at record levels in 1985. Much of the demand for durable goods that was deferred from the 1980-81 recession, as well as new demand created by an increased rate of household formation generated by the baby boom, was met. Even with moderating prices and interest rates, consumer spending is expected to level off in 1986. Specifically, demand for durable goods will decline during the year, whereas spending on nondurable goods should remain stable and spending on services may increase. Over the longer term, spending for services likely will claim an increasing share of the household budget as service prices show high relative increases and as the U.S. population ages.

Net Worth

Consumer net worth, that is, assets minus liabilities, equaled about 350 percent of annual disposable income in 1985, up from about 330 percent in 1984.[11] The increase occurred in spite of significant decreases in the rate of saving and increases in consumer debt. It is primarily the product of rising stock values and growing pension assets. The outlook for 1986 is for continued growth in net worth relative to income. The portfolio of assets held by individuals and families may change significantly, however. The distribution of wealth among households also may change.

Savings plummeted to 2.8 percent of disposable personal income in August, as households increased personal expenditures and credit use. The rate of saving averaged only 4.4 percent through October 1985, down from averages of 7 to 8 percent through the midseventies and 6 percent in the late seventies and early eighties. The outlook is for the saving rate to recover slightly as incomes rise and expenditures moderate in 1986.

The trend toward low rates of saving has been explained by several factors. Demographic changes, including aging of the baby boom generation to the prime spending years and increasing numbers of two-earner families (who presumably have less need for the security of money in the bank), lead the theories of declining saving. Also, saving tends to move in a counter-cyclical pattern. During periods of economic expansion, consumers are optimistic and often respond by increasing spending and debt. During downturns, consumers retrench, reducing spending and debt and increasing their rate of saving. November 1985 marked the beginning of the fourth year of economic expansion. The current low rate of saving is characteristic of such a sustained expansion. Finally, declining nominal rates of return may be discouraging saving among those accustomed to the inflated returns earned several years ago.

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[11] Information on individual and household assets, liabilities, saving, and debt patterns are published in Flow of Funds and Sector Accounts, Board of Governors of the Federal Reserve System.

In 1985 there was a shift in the composition of savings, with a larger share moving into liquid accounts, stocks, and pensions in 1985 than in 1984. This suggests that savers have become very sensitive to changes in interest rates and are taking advantage of rising stock prices while holding other assets liquid in anticipation of improving rates of return. It also sets the stage for continuing portfolio adjustment in 1986.

Consumer debt grew at a record rate in 1985 to about $520 billion, up 20 percent from a year earlier. The ratio of consumer credit to disposable personal income was 18.9 percent, near the record set in 1979. Rapid growth in consumer credit has fueled controversy concerning the debt burden of families and the outlook for 1986. At issue is the point at which consumers will slow their credit buying. Those who see debt levels falling sharply in 1986 argue that consumers currently are overburdened and, with only modest increases in income projected for 1986 and most demand for durables met, neither able nor willing to add more debt. Others argue that although debt levels are high, actual repayment demands are low due to longer term credit obligations; net worth--particularly in the form of liquid assets--is high; and optimism remains strong. They predict only small decreases in growth in consumer debt in 1986.

Measurement of consumer debt loads is complicated because debt can include convenience use of credit cards as well as long-term borrowing. Forty percent of the households in the 1983 Survey of Consumer Finances reported using bank credit cards; half of those paid the debt in full each month. This use of credit as a substitute for cash or checks has raised the debt-income ratio 1 percentage point since 1977 (4). Most families do not perceive this as an increase in their debt burden, however. Similarly, the ratio has been raised by a change in the average maturity of auto loans from 3 years in 1974 to 4 years today; this has increased the total credit costs of such loans but has improved the cash flow of auto borrowers. As more households use credit for convenience purposes, actively manage cash flow, and are exposed to new credit instruments introduced as the result of financial deregulation, consumer credit is likely to expand during the late eighties. Whether this expansion signals a problem for families will depend on the purposes for which they are using credit and their ability to manage increasingly complex financial instruments.

Financial Management Issues

Families will enter the late eighties with the benefits of a sustained period of economic growth behind them. They have used this growth to increase net worth, acquire durables, and adjust to noninflationary spending and saving patterns. They have demonstrated growing economic sophistication and financial management skills during the past several years. This will aid them in meeting the goal of financial independence in a world of growing economic interdependence.

The economic environment affecting family choices is expanding. World economic issues, particularly currency exchange rates and trade; national political policies, particularly income tax reform; and interstate and regional agreements, such as those in banking and industrial development, will affect the income opportunities and marketplace choices available to individuals and families throughout the remainder of the decade.

Tax reform is an important part of the political and economic agenda for 1986. Proposed reforms attempt to simplify the Federal income tax system by reducing the number of tax brackets and deductions and streamlining the definition of taxable income. This could generate lower marginal tax rates coupled with higher taxable incomes. Families may need to relearn the basic principles of tax planning in 1986.

Family financial management will be influenced in 1986 and beyond by several legislative and regulatory actions signaling a modest return to consumer protection initiatives. For example, agencies regulating credit practices issued rules effective January 1, 1986, that will prohibit certain remedies used to enforce consumer credit

obligations.[12] Prohibited remedies will include confessions of judgment, wage assignments, and pyramiding of late charges. Also, co-signers will receive a notice explaining co-signer obligations.

A more controversial form of consumer protection has been proposed by professional organizations representing the financial planning industry. They would like to see official registration, certification, or licensure of financial planning professionals to protect consumers from unscrupulous financial advisors. As the financial planning industry grows, tension between those who wish to limit entry into the profession and those advocating an open market likely will work to move this issue to the consumer agenda.

The most significant change in financial services in 1986 is likely to be the continued expansion of interstate banking. Although official policy in this country over the last 50 years has opposed interstate banking, efforts to circumvent this policy have been numerous and growing. Large banking organizations now conduct a wide range of banking activities across State lines. About 7,600 offices of out-of-State banks provide services through consumer finance companies, loan production offices, and Edge Act Corporations. Other banking services, such as credit cards and automated teller machines, operate without bank offices. "Nonbank banks," such as retailers and financial corporations, provide similar services across State lines.

Closely related to changes in the banking system is the issue of regulatory reform of deposit insurance. If financial institutions become larger as the result of interstate banking, the risks to insurance funds will become more concentrated. Given this, and the increasing--although still low--rate of bank failures and the collapse of several State-supported deposit insurance systems, regulatory reform is likely to be proposed soon. This could be a significant expansion in consumer protection.

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[12]Agencies included are the Federal Reserve Board, Federal Home Loan Bank Board, and the Federal Trade Commission.

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Farm Families: Economic Outlook for 1986[1]

By Kathleen K. Scholl
Consumer economist

Some farm families had to make the difficult decision to leave their farming businesses in 1985. Unless the economic factors that influence the agricultural sector make positive movements in the near future, additional farm families will be faced with the same decision in 1986. Although individual farmers and their families cannot make a direct impact upon the macroeconomic factors that influence their situation, they can take actions to provide some protection for the family from further adverse economic conditions.

MACROECONOMIC INFLUENCES

Background and Situation[2]

The current distress among farmers is rooted in the inflationary decade and high farm income of the seventies and adjustment to sharply different economic conditions of the eighties. Throughout the seventies, farmers faced rapidly expanding exports, accelerating inflation, and low to negative real interest rates. High commodity prices increased farm income, providing both the incentive and financial means for farm expansion. As the value of farmland increased with the prospects for future growth in farm income, farmers used this additional wealth as a base on which to borrow heavily to invest in new capital equipment, adopt new production technologies, and purchase increasingly expensive farmland. Between 1970 and 1981 the value of farmland rose by 306 percent nationally (4) and debt-to-asset ratios of farms declined.

The early eighties brought an abrupt halt to prosperity in the agricultural sector. Commodity prices fell world wide; the value of the dollar rose rapidly against major currencies, further dampening export demand; and inflation was slowed by stringent control of monetary growth. Real interest rates jumped to unprecedented levels of 8 to 10 percent. Rising production costs coupled with lower prices received by farmers increased fluctuations in net farm income. Revenue prospects were dimmed even further by droughts in the early eighties. Not only did land price escalation halt in 1981 as a result of these developments, but prices since then have declined substantially in some of the most prominent farming areas. Interest rates on real estate debt skyrocketed, making the purchase of farmland and refinancing more burdensome. Farmers' debt levels, which were based on the value of farmland in the seventies, no longer were sustainable on the declining land values of the eighties. Farmers whose solvency depended on continuously rising land values or who pursued an aggressive expansion strategy were pushed toward financial failure.

Impact on Farm Families

Although farm families always have experienced fluctuations in levels of income from one year to another, the great variability of net farm income since the late seventies makes it difficult for farm families to make financial management plans. As depicted in the chart on p. 11,[3] real farm income

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[1]This article is adapted from a paper presented at the Agricultural Outlook Conference in December 1985 in Washington, DC.

[2]This section extensively utilizes information contained in references 5 and 11.

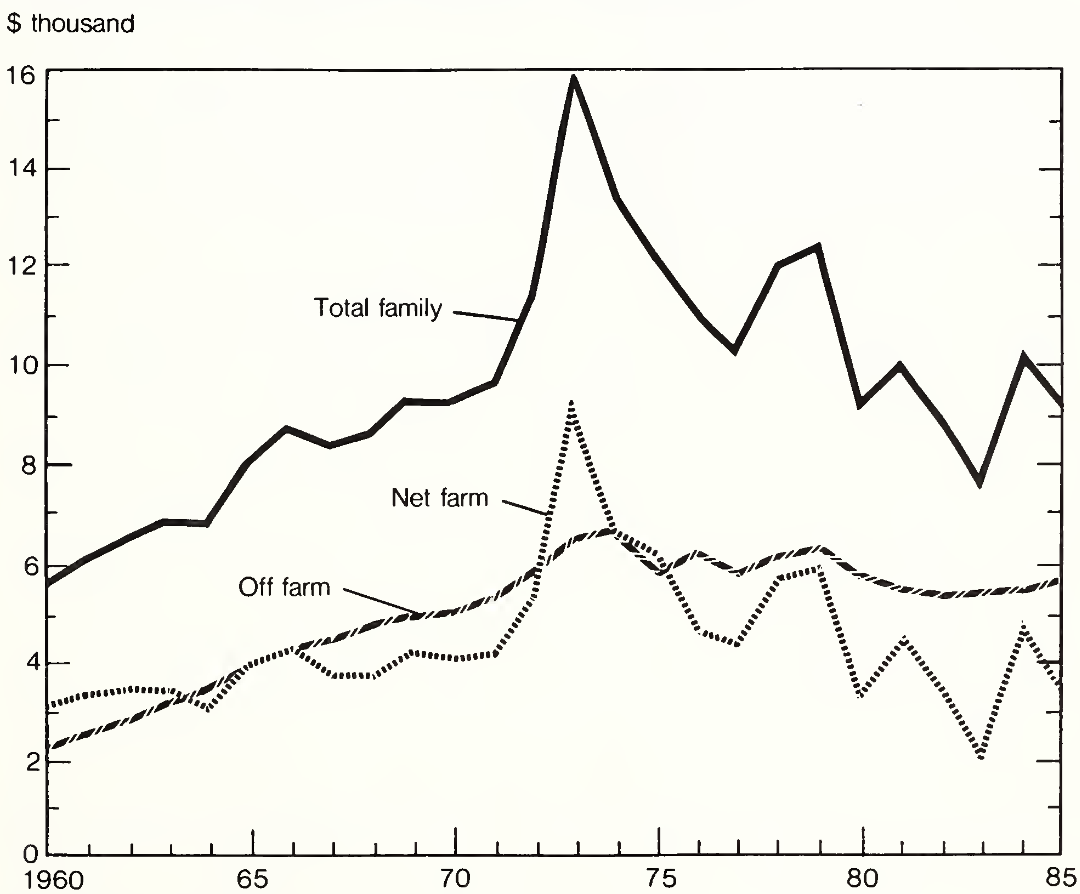
[3]Note that the data points in the chart were calculated by dividing aggregate income data by the number of farms. Averages, however, present statistical aberrations. The large number of rural residential small farms distorts the off-farm income averages, whereas large net farm incomes of a few large farms distort net farm income averages. For example, large farms with agricultural sales of $500,000 or more constitutes 1 percent of all farms, produce about one-third of all U.S. farm production, and earn about 4 percent of their total income off the farm. Whereas, minifarms with agricultural sales of $2,500 or less constitutes about 25 percent of all farms, produce less than 1 percent of all farm production, and earn over 100 percent of their income off the farm. (On the average, these farms have a negative net farm income, and off-farm income is used to balance the losses.)

experienced a steady increase through the sixties, then varied from a per-farm high of $9,144 in 1973 to a low of $2,121 in 1983. The levels of living of farm families with declining farm income deteriorated as the prices of the goods and services they purchased for consumption continued to rise.

The majority of farm families use off-farm employment as a means to provide a safety net for their widely fluctuating farm income. This is not a new economic reaction by farm families; for 16 of the last 18 years, off-farm income has exceeded net farm income. Since the midseventies, real farm income has declined on a per-farm basis, whereas off-farm income has been fairly stable (chart). When combined together into total family income, however, fluctuations as exhibited in net farm income still are present. Many families experience negative total family income, even after combining net farm income with off-farm income (see box on p. 12).

The majority of farm families have a farm operator whose primary occupation is farming (8). This, together with the fact that the larger share of total family income is from off-farm earnings, suggests that families are sending someone other than the main operator into the labor market. They may feel that the full-time farming status of their operation is in jeopardy if the male (95 percent of all farm operators (8)) is employed off the farm; therefore, other

Income of Farm Operator Families (In 1967 Dollars)



1985 forecast.

Sources: U.S. Department of Agriculture, Economic Research Service, 1984, Economic Indicators of the Farm Sector: Income and Balance Sheet Statistics, 1983, ECIFS 3-3, table 51. U.S. Department of Agriculture, Economic Research Service, 1985, Agricultural Outlook, AO-113, p. 16. and unpublished data.

family members are employed off the farm. Farm women, especially, are continuing to enter the labor market at a rapid pace. Although the labor force participation rate increased in the seventies for all women, the rate of increase for farm women was approximately 170 percent of that of their nonfarm counterparts--42.4 percent, compared to 25.0 percent (see Family Economics Review 1983(1):10).

Data from a recent study (7) in a Missouri corn belt county, of farmers who had left their farms over the last few years, suggests that many women work off the farm regardless of the farm's financial situation, whereas men usually seek outside employment at the downturn of the farm operation. About nine-tenths of the families indicated they had intended for the farm to provide most of the family's income; but even when the farm operation was at its largest, one-third of the men and one-half of the women earned off-farm income. When financial stress reached its maximum during the last year of farming, 60 percent of the men and 57 percent of the women held off-farm employment. Ten percent felt they could have kept their farm if they could have gotten a nonfarm job, but 50 percent apparently recognized the limitations of this income-generating strategy, saying they could not keep the farm even if they had a nonfarm job. Apparently, a few of the farm families under severe financial stress viewed off-farm employment as a way to preserve their chosen farm lifestyle, but more

NEGATIVE HOUSEHOLD INCOME

Using the value of agricultural sales to define farm size, the proportion of farms that had negative total household income[1] in 1984 varied little by size of farm. Interestingly, the smallest sales class was least likely to experience negative income. Within the $40,000 to $99,999 sales class, which is sometimes considered to be family-sized farms, 3 of 10 farm households had income of less than $10,000.

Farm size	Total household income: Negative income	$0 to $9,999	$10,000 or more
	Percent		
All U.S. farms	15	18	67
Sales of--			
$9,999 and less	12	25	63
$10,000-$39,999	18	19	63
$40,000-$99,999	18	11	71
$100,000-$499,999	17	6	77
$500,000 and over	17	1	82

[1]The definition of total household income used here differs from the official USDA total family income concept presented elsewhere in this article because the value of the change in inventories is omitted.

Source: Ahearn, Mary, Jim Johnson, and Roger Strickland, 1985, The distribution of income and wealth of farm operator households, (Talk presented at the American Agricultural Economics Association Meetings, Ames, IA, August 5, 1985), U.S. Department of Agriculture, Economic Research Service.

(especially male operators) used it as a means to exit farming and enter another career.

In the early eighties nearly one in four people living on farms lived in poverty (9). The high poverty rate has been fairly stable over the eighties.[4] The needs of farm people are placing a heavy burden upon local and State governments in depressed farming areas. As revenues decline from lower taxes received, local and State government agencies are unable to provide costly services and economic support for farm families and other families seeking assistance.

As local businesses experience a slowdown from less spending by farm families, they too must curtail their economic activity. Often this results in fewer employment opportunities or high unemployment in the small farm community, which can be devastating to the local farm family who is dependent on off-farm employment.

Agricultural banks, which often are the financial centers of the rural community, are encountering problems as they try to serve the growing financial needs of the rural community. Banks are under severe financial stress as some borrowers are not paying interest on their loans and loan losses at these banks have risen. In addition, farm families who have a poor cash flow are using personal and household savings accounts for living expenses and for retiring farm debt. The resulting decline in rate of increase of savings accounts, coupled with a decline in farmland values, results in a downward economic spiral for agricultural banks. In 1985, 68 agricultural banks failed; these represent 58 percent of all bank failures (3).

Since commercial banks provide about one-fourth of all outstanding farm credit, they can provide information on the economic well-being of farms. Agricultural members of the American Bankers Association in the 1985 Midyear Farm Credit Survey estimated that 3.8 percent of all farmers filed for bankruptcy (2). The rate has more than tripled in the last 3 years (1).[5]

ECONOMIC PROJECTIONS AND IMPACT ON FARM FAMILIES

A general slowdown in the economy with a stabilization of real family income is forecast for 1986 (see "Economic Outlook for Families--1986," by Colien Hefferan, p. 1 of this issue). A gradual decline in economic well-being is projected for farm families. The economic position of farm families will be relatively worse than predicted for families in the rest of the economy. Farm families with predominantly cash grains, general livestock, or dairy operations will continue to experience financial stress. The Corn Belt, the Lake States, and the Northern Plains regions will sustain the highest concentration of families under severe financial stress.

Although 1984 was the best year of the eighties for net farm income, great variability continues. Net farm income for 1985 is forecast to be near the level obtained in 1981 (see chart). Assuming no major policy changes or weather disruption in the year ahead, net farm income in 1986 is projected to be near or slightly lower than the 1985 level. With a decline in net farm income, the 1986 U.S. farm economy will continue to be sluggish.

According to a recent USDA survey (6) of 1.7 million farms,[6] about 214,000 farms are estimated to be experiencing financial stress because of a combination of high debt

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[4] A trend over a longer period of time cannot be tracked, since the separate poverty threshold for persons living on farms was eliminated in 1981. The elimination of the differential increased the number of farm families in poverty by about 20 percent.

[5] The number of farms filing for bankruptcy could increase with passage of pending legislation (HR 2211) that would raise for family farms the debt ceiling of Chapter 13 of the bankruptcy code. Because debts are so high, most family farms must file under the tougher provisions of Chapter 11.

[6] The survey's estimate of the total number of U.S. farms is less than that counted by the 1982 Census of Agriculture, primarily because the census included 253,147 farms with sales of less than $1,000. Most of the farms undercounted by the survey are in the smallest sales classes.

load (a debt-to-asset ratio of at least 40 percent) and an inability to generate enough cash to meet production expenses, repay debt installments on principal and interest, and provide for family living expenses. An estimated 38,000 farms are technically insolvent, with debts exceeding the value of their assets.

An effect of this financial stress on farm families will be an increased dependency on off-farm employment, with the labor force participation of farm women projected to continue to rise. As indicated earlier, farm families may need to travel beyond their local communities as unemployment will continue to be extremely high in economically depressed farming areas.

In an effort to stop the erosion of farmland prices and to prevent further slippage of their assets, agricultural lenders are temporarily retaining the farmland they obtain through foreclosure. Therefore, farm tenancy is anticipated to increase in the short run as farmers who were owner operators rent farmland. Some farmers eventually will reenter farming as owner operators as the price of farmland stabilizes.

FARM FAMILY FINANCIAL MANAGEMENT

For the following discussion, families are classified into four groups.

Group 1. The majority of farm families (88 percent) are not experiencing severe financial stress (6). Nevertheless, they will need to give increased attention to family financial management in 1986. As the value of farm assets continues to decline, some of these farm families will begin to experience severe financial stress. They will need professional assistance to preserve or to prevent deterioration of their current financial position.

Families who conceptualized goals and financial plans in the midseventies when income peaked will need to develop new plans. These high levels should not be anticipated in a realistic financial plan for the rest of this decade.

Guidance materials from the State Cooperative Extension Service (for an example, see Farm Family Living Expenses--Taking Control (10)) can be used to analyze the farm family's current financial management plan or develop new plans. These aids are designed specifically for farm families and can help them determine cash flow for family living expenses. These guidance materials identify discretionary budget categories that can be cut when expenses exceed farm family income.

The financial plan needs to incorporate saving, insurance, and retirement. As income from farming dwindled, many farm families excluded those protections for the family. Now they need inexpensive ways to reduce their high personal risks. Some farm families provide group health insurance for family members through off-farm employment. Other employment fringe benefits, such as life insurance, also provide economic security that the self-employed, farm-operator family otherwise may be unable to afford. Since farm operators are not required to pay self-employment tax when net farm income for the year is less than $400, and since spouses of self-employed farm operators are excluded from earning Social Security credits for their contribution to the farm business, a limited number of farm-operator families presently qualify for Social Security benefits as retired workers, disabled workers, or survivors. Farm families, however, can continue coverage on the operator by paying self-employment tax on gross income in bad years. Paying into the Social Security system would provide minimal protection for the farm family. Although most farm families do not currently need or seek income tax shelters, payment into an IRA or Keogh account will allow them to establish a savings plan for retirement.

Group 2. About 10 percent of all farm families are having severe financial problems. Highly leveraged and with poor cash flows, families in this group are concerned about maintaining their desired farming lifestyle.

Off-farm employment of the farm woman is an economic strategy implemented by many financially stressed farm families. More than a replacement of the "egg and butter" money of the previous farming era, off-farm earnings have, in many instances, kept the family on the farm. Of the farm women who

worked off the farm in 1980, one-fourth stated that they worked because farm income was inadequate to pay farm expenses. These women, however, were not pleased with their role as economic provider and were significantly less satisfied with farming as a way to make a living than women who worked off the farm for other reasons.

Farm families who are dependent on off-farm earnings must receive the maximum return for their investment of time and skills; a career guidance counselor may be able to identify broad options for both spouses. Since women on the average earn less than men (they earn 65 cents, compared to every dollar that men earn), the farm couple may be able to obtain a better rate of return if the husband works off the farm while the wife runs the farm operation.

Limitations in the availability of off-farm employment and other factors such as unmarketable skills may prevent many financially stressed families from entering the labor market. Alternative approaches for increasing family economic well-being include increased household production for the family's own consumption and the bartering of home-produced goods and services with others in the community.

The financially stressed farm family needs to carefully scrutinize all purchases for the home and farm. Many households may find it difficult to control family living expenses, which appear small compared to the massive amounts spent on agricultural supplies and equipment.

In an effort to maintain economic viability, some farm families are making tradeoffs with their independence. For example, some farm families are encouraging nonfamily investors into limited partnerships or the addition of nonfamily stockholders into family corporations. Fringe benefits, such as farm vacations and hunting privileges, may be offered to lure city partners.

Today's farm families need to be autonomous from the farm, especially if the farm has a debt-to-asset ratio of 40 percent or more. They no longer can use personal savings and checking accounts to finance the farm; doing so jeopardizes the family's economic well-being. Using one financial account for both the household and farm in some situations may allow farm creditors access to all of the family's finances.

Group 3. Two percent of all operating farms are technically insolvent (6). Apprehensive about the family's economic security, this group has the greatest need for financial counselors, educators, social workers, and county extension workers. Some may have used household savings to pay farm debts and lack funds to begin a new lifestyle or a new career.

Farm families facing foreclosure of the farm mortgage need to develop an economic strategy to protect the family's finances from farm creditors. These families may need to turn to privately funded and government programs and services for support until they can relocate.

Group 4. A small group of families seek to reenter farming or to enter farming for the first time. These families need guidance on beginning a farm lifestyle--typically as tenant farmers, although some eventually will be able to purchase land. This beginning group will need specific counseling in how to develop a healthy farm financial environment for their families.

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Award and Receipt of Child Support and Alimony

The third in a series of surveys to obtain data on child support and alimony was conducted by the U.S. Bureau of the Census in 1984 and sponsored, in part, by the Office of Child Support Enforcement, U.S. Department of Health and Human Services. Similar studies were conducted in 1979 and 1982, and the results were presented in Current Population Reports, Special Studies, Series P-23, Nos. 112 and 140.[1]

As of spring 1984, 8.7 million mothers were living with children under age 21 whose fathers were not living with them. Of these women, 58 percent were awarded or had an agreement to receive child support payments, and 46 percent had been due payments in 1983. Of those due payments, one-half received the full amount due, one-quarter received partial payments, and the remaining one-quarter received no payments. Although the child support award rate of 58 percent reported in 1984 did not change significantly from the rates reported in the two previous surveys, the proportion of women receiving payments increased from 72 percent in both 1979 and 1982 to 76 percent in the 1984 survey.

The mean amount of child support for women who received payments in 1983 was $2,341, compared with $1,799 received in 1978. After adjusting for inflation during the period from 1978, the average child support payment showed a 15-percent decrease from the 1978 figure. However, child support payments as a percentage of the average income of men remained at about 13 percent during this period.

As in the previous two surveys, the women most likely to be awarded and to receive child support payments were white women and women with 4 or more years of college. Women with voluntary written agreements received 88 percent of the amount they were due, whereas women with court-ordered payments received only 58 percent of the amount due.

Of the 17.1 million ever-divorced or currently separated women as of spring 1984, 14 percent were awarded alimony payments. The alimony award rate did not change significantly from that reported in the two previous surveys. The mean amount of alimony received by women in 1983 was $3,980, which represents 22 percent of the average income of men.

Of the 14.5 million ever-divorced women as of spring 1984, 37 percent were awarded a property settlement, compared with 42 percent in 1982 and 44 percent in 1978, which appears to establish a downward trend. Women with property settlements had a higher average total income ($12,920) than women without property settlements ($10,370).

[1] See "Child support and alimony: 1978," Family Economics Review, fall 1981, pp. 15-16, and "Child support and alimony," Family Economics Review 1985(4):24.

Source: U.S. Department of Commerce, Bureau of the Census, 1985, Child support and alimony: 1983, Current Population Reports, Special Studies, Series P-23, No. 141.

Recent Trends in Clothing and Textiles[1]

By Joan C. Courtless
Family economist

Clothing Expenditures and Prices

In 1985 apparel and upkeep prices, as measured by the Consumer Price Index (CPI),[2] rose 4.4 percent over 1984 (table 1). This is the first time since 1969 that clothing prices have increased at a higher rate than prices for the "all items" category. Women's suits and women's separates and sportswear led the increase in clothing prices; only prices of boys' and girls' footwear, and men's coats and jackets declined during the year.

Annual spending for clothing and shoes in 1985 is estimated at $617 per person according to preliminary figures for the first three quarters of 1985 (table 2). This amount exceeds 1984 spending by $25 per person; 76 percent of the increase can be attributed to higher prices and 24 percent to increased buying.

When the effect of inflation is removed, the percentage of personal consumption expenditures for clothing and shoes shows gradual increases since 1970 (indicated by constant dollars in table 2). The rise in per capita expenditures for clothing (in constant dollars) further supports the premise that consumers have increased their clothing purchases over the years.

In current dollars, however, clothing is a shrinking percentage of personal consumption expenditures. This can be attributed, in part, to the many years when clothing prices increased at a lower rate than prices for other items. Data from the U.S. Bureau of Labor Statistics' Consumer Expenditure Survey (CES) provide further evidence of this trend. Consumer units spent an average of 5.5 percent of their total expenditures on apparel and related services (current dollars) (17). This share was unchanged in 1982-83 from 1980-81. A previous CES conducted in 1972-73 found that 7.7 percent of total expenditures were allotted to apparel and related services (16).

Trade in Textiles, Apparel, and Footwear

The increasing trade deficit in textiles and apparel was the dominant clothing and textiles issue in 1985. In 1984 this deficit reached $11.9 billion, the largest in history and 44 percent higher than in 1983. The textile and apparel trade deficit for 1985 probably will exceed this amount; for the first 9 months of 1985 it was 6 percent higher than during the same period in 1984. Volume of textile and apparel imports (in square yards equivalent) was up only 0.5 percent for the first 9 months of 1985 compared with the same period in 1984. Corresponding changes in volume by fiber were cotton, 6 percent lower; wool, 4 percent higher; and manmade, 2 percent higher. The trade deficit for textiles for the January-September 1985 period was down 2 percent from the same period in 1984; volume of textile imports was down 10 percent. The trade deficit for apparel was 8 percent higher for the first 9 months of 1985 than during the same period in 1984; in square yards equivalent, apparel imports were up 4 percent.

Quotas established under multilateral or bilateral agreements limit the number of apparel items that most foreign countries can export to the United States. Therefore, producers in exporting countries realize maximum profits by upgrading the value of the garments shipped to this country. Higher priced imported apparel helps to explain why the trade deficit increased at a higher rate than volume during the first 9 months of 1985. The CPI for clothing items is also affected by this higher priced imported merchandise because imports are such a large

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[1] This article was adapted from a paper distributed at the Annual Agricultural Outlook Conference in December 1985 in Washington, DC.

[2] Consumer Price Index for Urban Wage Earners and Clerical Workers.

Table 1. *Percent change in prices of apparel and upkeep, December 1984 to September 1985*[1]

Group and item	Percent change (annualized)
All items	+3.6
Apparel and upkeep	+4.4
Men's and boys' clothing	+3.4
Men's	+3.3
Suits, sport coats, and jackets	+3.9
Coats and jackets	-2.2
Furnishings and special clothing	+5.5
Shirts	+7.1
Dungarees, jeans, and trousers	+0.3
Boys'	+4.0
Coats, jackets, sweaters, and shirts	+8.3
Furnishings	+1.4
Suits, trousers, sport coats, and jackets	+1.9
Women's and girls' clothing	+7.7
Women's	+8.5
Coats and jackets	+7.8
Dresses	+6.0
Separates and sportswear	+13.6
Underwear, nightwear, and hosiery	+2.0
Suits	+24.0
Girls'	+4.1
Coats, jackets, dresses, and suits	+6.6
Separates and sportswear	+2.5
Underwear, nightwear, hosiery, and accessories	+3.1
Infants' and toddlers' clothing	+5.3
Other apparel commodities	+1.0
Sewing materials and notions	+1.9
Jewelry and luggage	+0.7
Footwear	-0.4
Men's	+1.9
Boys' and girls'	-3.8
Women's	+0.1

[1]Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Source: Calculated from the CPI Detailed Report, December 1984 and September 1985, U.S. Department of Labor, Bureau of Labor Statistics.

Table 2. *Annual expenditures on clothing and shoes*[1]

Year	Per capita expenditures[2]		Percent of personal consumption expenditures		Aggregate expenditures	
	Constant dollars (1972)	Current dollars	Constant dollars (1972)	Current dollars	Billions of constant dollars (1972)	Billions of current dollars
1960	$203	$148	8.1	8.2	$36.6	$26.7
1961	203	149	8.1	8.2	37.3	27.4
1962	209	154	8.1	8.1	38.9	28.7
1963	209	156	7.9	7.9	39.6	29.5
1964	222	166	8.1	8.0	42.6	31.9
1965	227	172	7.9	7.8	44.2	33.5
1966	239	186	8.0	7.9	46.9	36.6
1967	236	192	7.8	7.8	46.9	38.2
1968	242	208	7.7	7.8	48.6	41.8
1969	245	223	7.6	7.8	49.6	45.1
1970	240	227	7.4	7.5	49.2	46.6
1971	249	244	7.5	7.6	51.6	50.5
1972	264	264	7.5	7.5	55.1	55.1
1973	281	291	7.7	7.6	59.2	61.3
1974	279	308	7.8	7.3	59.1	65.3
1975	288	328	7.9	7.2	61.4	70.1
1976	293	345	7.7	6.9	63.8	75.3
1977	306	375	7.8	6.9	67.5	82.6
1978	331	415	8.1	6.9	73.6	92.4
1979	341	440	8.3	6.6	76.7	99.1
1980	342	459	8.4	6.3	77.9	104.6
1981	359	497	8.7	6.2	82.6	114.3
1982	362	511	8.7	6.0	84.2	118.8
1983	377	541	8.8	5.9	88.5	127.0
1984	408	592	9.1	6.0	96.5	140.2
1985[3]	414	617	9.0	5.9	98.9	147.3

[1] Includes yard goods, but excludes services such as cleaning and repairing clothing and shoes.

[2] Calculated by dividing aggregate expenditures for each year by population figures for July of each year.

[3] Preliminary figures--average of estimates for first 3 quarters of 1985 (i.e., seasonally adjusted quarterly totals at annual rates).

Sources: Calculated from U.S. Department of Commerce, Bureau of the Census, 1985, Population estimates and projections, Current Population Reports, Series P-25, No. 974; and U.S. Department of Commerce, Bureau of Economic Analysis, 1985, Survey of Current Business 65(7):11 (tables 2.2 and 2.3), and personal communication.

share of the U.S. retail apparel market--42 percent of all apparel, excluding underwear and accessories, was imported in 1984 (6).

The domestic textile and apparel industries are finding it difficult to compete with foreign producers who have access to low-cost labor, Government subsidies, and Government protection from imports. This situation has been exacerbated by fraudulent practices to evade quota restrictions (such as false labeling and smuggling), and by the comparative strength of the U.S. dollar against foreign currencies. Some U.S. apparel manufacturers have established overseas operations where garments are assembled and sewn together from components originating in the United States. Because labor costs are lower in developing countries, such products then can be sold at lower (more competitive) prices than if they were made entirely in the United States. Others connected with the U.S. textile and apparel manufacturing industries have lobbied members of Congress to enact legislation that would offer them protection from further massive increases in import penetration. Those in opposition to this legislation are equally vocal and include retailers and importers (who believe higher prices for the American consumer would result), and members of leading export industries (who believe they would suffer retaliation from foreign markets).

The import issue has been of critical concern to the shoe industry. The International Trade Commission determined that imports of nonrubber footwear are causing substantial injury to a domestic industry in the United States and recommended an increase in duty or import restriction necessary to alleviate the injury. On August 28, 1985, President Reagan made the decision (8) that granting import relief would not be in the national economic interest for three reasons:

1. Import relief would place a costly burden on the U.S. economy and consumers. Jobs in the shoe industry have an average annual wage of $14,000, but each job created or saved by restricting imports would cost the Nation's consumers $26,300 through higher priced shoes.

2. Import relief would result in serious damage to U.S. trade through retaliatory actions by foreign suppliers and by adversely affecting the ability of these foreign suppliers to import goods from the United States.

3. The shoe industry is successfully adjusting to increased import competition by consolidating to become more efficient, investing in the most advanced equipment, diversifying into profitable retail operations, and using imports to supplement product lines.

The U.S. Department of Labor announced an initial commitment of $5 million for a program that will retrain shoe workers who become unemployed because of foreign imports. Governors of shoe producing States were asked to participate in establishing retraining programs under the Job Training Partnership Act.

Supplies, Prices, and Consumption of Fibers

World production of fibers was 11 percent higher in 1984 than in 1983. Natural fiber production rose by 14 percent, increasing from 53 percent of all fibers in 1983 to 55 percent in 1984 (10).

The 1985 U.S. mill consumption of total fibers is estimated at 46.3 pounds per capita. This includes 11.5 pounds of cotton, 0.5 pound of wool, and 34.3 pounds of manmade fibers. Per capita use in 1984 was 45.7 pounds, including 11.5 pounds of cotton, 0.6 pound of wool, and 33.6 pounds of manmade fibers. Since 1960, 1984 was the only year in which domestic consumption increased as mill consumption decreased (see chart). This is reflected in the growing textile trade deficit.

Cotton. The 1985 domestic cotton crop is expected to be about 13.8 million bales, up 6 percent from 1984. Cotton prices are expected to drop in 1986 because the 1985 surplus (forecast at 4.6 million bales) added to 1984's ending stocks would yield nearly 9 million bales in carry-over.

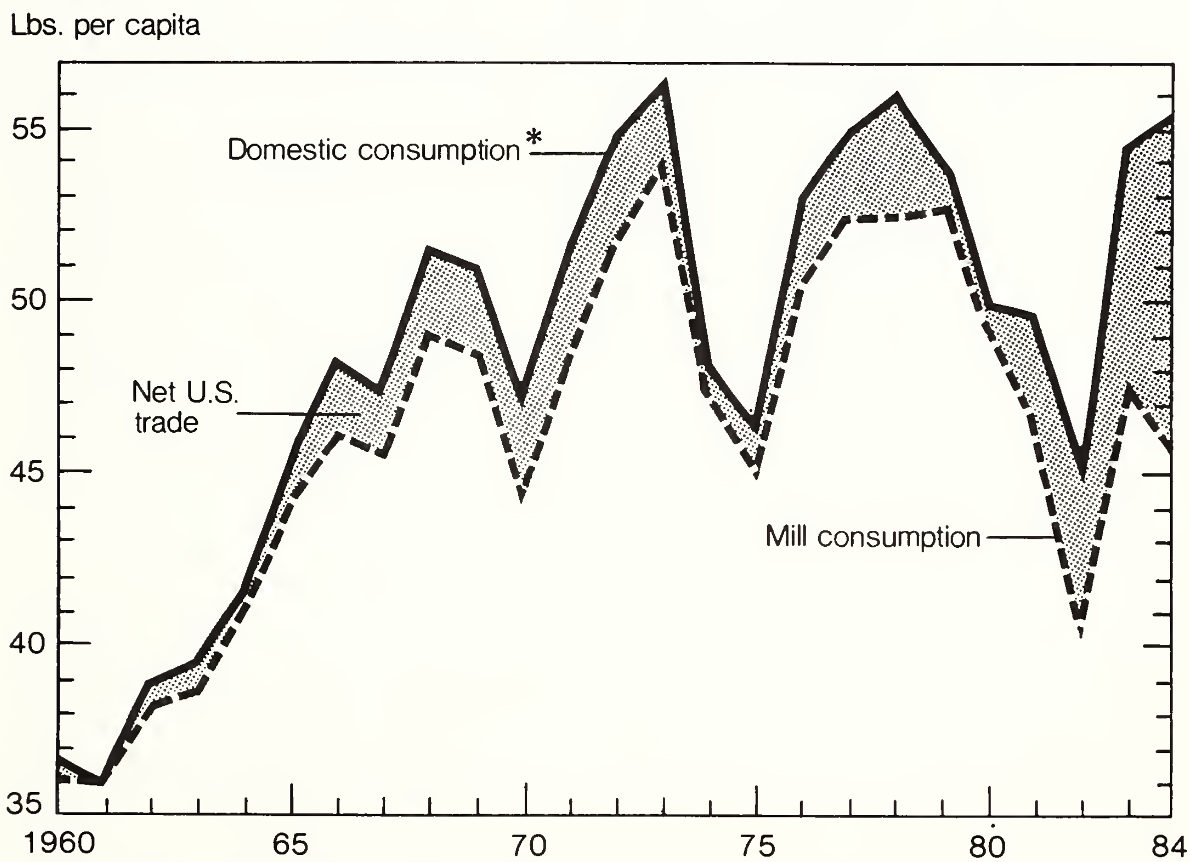
Cotton's share of U.S. mill use was less than 25 percent in 1984. Textile imports, almost 50 percent cotton, raised cotton's share of U.S. fiber consumption to 30 percent (table 3). In 1984 over 37 percent of total U.S. domestic cotton consumption was in the form of imported textiles. Hong Kong and China were the largest suppliers of U.S. imported cotton textiles, 19 and 14 percent, respectively. About 25 percent of the cotton in textile imports was grown in the United States. Korea and Japan were the two largest markets for U.S. raw cotton exports, purchasing 44 percent of total 1984 cotton exports. Consequently, almost 79 percent of cotton textiles imported from Korea were manufactured with U.S. cotton. Other countries that used a high percentage of U.S. cotton in their mills include Taiwan (40 percent) and Hong Kong (33 percent).

Wool. U.S. wool production for 1985 is estimated at more than 8 percent below the 1984 yield. Mill consumption of apparel wool is expected to be 17 percent below the 1984 level. Increased imports of wool textiles and apparel contributed to this decrease in mill demand.

Between 60 and 70 percent of the raw wool used in U.S. mills is imported. After increasing by 27 percent in 1983 and 21 percent in 1984, raw wool imports are expected to drop by about 10 percent in 1985.

U.S. farm prices for wool in 1985 should reflect lower mill demand, and average about 10 cents per pound less than in 1984. Prices paid to American farmers are influenced by those paid for foreign wool, however. A weakened dollar would cause prices of imported wool to rise, and domestic prices would also rise above this estimate.

Net U.S. Trade in Textile Products



* Domestic consumption includes mill consumption plus the raw fiber equivalent of net U.S. trade in textile products.

Manmade fibers. Shipments of manmade fibers by U.S. producers during the first 8 months of 1985 were 1 percent above shipments a year earlier (11) and only 2 percent above the 1983 level (9). In 1984 almost 75 percent of all fibers used by U.S. mills were manmade; 57 percent of all fibers used for apparel were manmade (11).

Developments in Fibers and Fabrics

Fabrics made entirely of wool, cotton, linen, and silk continue to constitute a substantial portion of the textile market for clothing. Fiber blends, however, are becoming more prevalent in both foreign and domestic garment production. Because the Multi-Fiber Agreements (MFA) specify numbers of garments made of cotton, wool, or manmade fibers that may be imported, foreign

Table 3. *Annual domestic consumption*[1] *of fibers*

Year	Total fibers (pounds per capita)	Cotton	Wool	Manmade
		Percent		
1960	36.6	64.4	8.2	27.5
1961	35.9	61.7	8.1	30.2
1962	38.8	59.6	7.9	32.5
1963	39.4	56.1	7.5	36.4
1964	41.5	54.9	6.2	39.0
1965	45.3	53.5	6.0	40.5
1966	48.2	52.7	5.3	41.9
1967	47.3	50.2	4.5	45.2
1968	51.4	43.4	4.5	52.1
1969	50.9	40.9	4.2	54.9
1970	47.0	42.8	3.6	53.6
1971	51.5	39.7	2.5	57.8
1972	54.8	36.3	2.4	61.2
1973	56.2	32.7	1.7	65.5
1974	48.1	33.2	1.4	65.4
1975	46.3	31.7	1.6	66.7
1976	53.0	32.1	1.8	66.1
1977	54.9	28.7	1.8	69.5
1978	56.0	28.3	1.9	69.8
1979	54.1	27.4	1.8	70.8
1980	49.9	29.2	1.9	68.9
1981	49.6	29.0	2.1	68.9
1982	45.2	29.9	2.1	68.0
1983	54.5	29.1	2.2	68.7
1984	55.4	30.1	2.6	67.3

[1]Domestic consumption includes mill consumption plus the raw fiber equivalent of net U.S. trade in textile products.

Source: U.S. Department of Agriculture, Economic Research Service, 1985, Cotton and Wool Outlook and Situation Report CWS-43, p. 17.

producers are succeeding in circumventing these quotas by using blends with ramie, linen, or silk.[3]

American designers are influenced by the infinite aesthetic effects that can be achieved by blending two or more fibers. Fiber blends being promoted for 1986 will emphasize a shiny, lustrous appearance and bright, vibrant colors that are possible by combining rayon, acetate, and/or acrylics with cotton or wool. Improved fiber performance, lower costs, and consumer demand also are cited by domestic fiber producers as reasons for using fiber blends.

Garments of 100-percent cotton yarn are accepted by American consumers for year-round use. Cotton clothing is available in all price ranges and in most garment types including coats, jackets, sweaters, shirts, dresses, skirts, and underwear. Cotton end-use in women's sweaters has nearly tripled in the last decade.

Because low-cost imports of high-volume yard goods are forcing many textile mills to lay off workers or close,[4] some textile companies are diversifying by developing special-use, high-priced fabrics that are aimed at small segments of the population. To compete with expensive Gore-Tex (a teflon membrane laminated to a breathable synthetic fabric that is waterproof), several firms are producing water-repellent, breathable synthetic sports fabrics to be used in running suits and other actionwear. For example, Versatech is water-resistant and made of tightly woven superfine polyester yarn with no chemical coating and no need for lining. Apparel makers may choose Versatech for its price advantage and its suitability for mild climates. Another example is Bion II, a polyurethane coating that is sprayed on a fabric to produce a breathable, waterproof material. In 1985-86, a one-piece ski suit of Bion II will be available; future applications include tents, hiking jackets, raincoats, and disposable surgical gowns and sanitary products.

A new permanent flame-resistant pile fabric, blended of 65 percent rayon and 35 percent wool, has been patented (4) and will be known as "Glentec." It is designed as an inner fabric for lining garments used in fire-hazardous jobs, such as in the military. A proposed application is in airline seat upholstery. Other performance characteristics include warmth without weight, durability, washability, pile recovery capability, shrink resistance, and easy dyeability. The fabric has been approved by the U.S. Surgeon General and is nontoxic.

A fine-denier nylon yarn called "Supplex" became available in 1985 (1). It is considered to be softer, with a more natural hand, and lighter in weight than conventional nylon, and is appropriate for all broadwoven nylon end uses such as lightweight jacket shells, ski wear, and active wear.

For 6 years Lycra spandex in 20-denier count has been used in the manufacture of sheer hosiery to provide stretch, fit, comfort, a "silky" hand, run-resistance, and good dyeing properties. A 10-denier Lycra has become available (1), and at least 5 major hosiery mills are using it to produce ultrasheer pantyhose. Promotional materials emphasize the "silky" hand, sheerness, and fit in an effort to overcome any stigma associated with the fiber's use in support hosiery.

The Wool Bureau, Inc., is participating in an international program to increase demand for wool knitted jersey by establishing it as a standard fabric option available to designers of apparel (5). In a three-part marketing effort directed towards knitters, apparel manufacturers, and retail buyers, the Wool Bureau will seek to ensure that knits are considered an alternative to

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[3] Non-MFA apparel imports increased by 171 percent in 1984, compared with a rise of 21 percent in MFA-covered apparel imports; non-MFA sweater imports increased by 280 percent, compared with an 8-percent increase in MFA sweater imports during the same year (3).

[4] During the first 6 months of 1985, more than 40 domestic textile mills closed and over 7,000 workers became unemployed (7).

wovens from season to season and year to year. In 1985 the Wool Bureau's technicians worked with knitters to develop new fabrications that can be engineered to adapt to fashion requirements for silhouettes, patterns, and seasonal weights. In 1986 the Wool Bureau will help the knitters promote jersey fabrics to manufacturers and store buyers.

Trends in Retailing

Over the last decade department stores have lost retail sales to specialty shops and off-price stores. The major advantages once held by department stores--one-stop shopping and credit--have been nullified by the enclosed shopping mall and the availability of bank credit cards. In order to become more competitive and to update their image, some department stores are eliminating their least profitable merchandise classifications. Examples of departments being discontinued include fabrics, as well as major appliances, books, budget "stores," and toys.

A major retail catalog establishment for over 100 years, Montgomery Ward & Co., has announced the closing of its catalog operations, which had sustained losses since 1979. Other retailers are establishing highly profitable direct-mail divisions. A recent innovation is the selling of advertising pages in up-scale catalogs; national advertisers are enthusiastic about the well-targeted audience which can be reached through this print medium, and the retailer can anticipate large profits.

Private labels are appearing on top quality merchandise in a concerted effort to win customers away from name brands. Because name brands can be purchased in most stores including "off-price" outlets, they are subject to intense price cutting. Many of the largest retailers hope to achieve higher profits by stocking well-made, fashionable garments bearing their exclusive label that they alone can sell.

Federal Legislation and Regulations Related to Textiles and Apparel

Amendment to rules and regulations under the Wool Products Labeling Act of 1939 and Textile Fiber Products Identification Act (1958). Public law 98-417, effective December 24, 1984, amended the Wool Act to require imported products to be labeled with the country of origin. Both the Textile Act and Wool Act were amended to require domestically manufactured products to be labeled as "Made in the USA" (2). The objective of the legislation was to clarify and improve country of origin labeling requirements for textiles and to increase consumer awareness at the time of purchase. Both acts were further amended to require:

1. The country of origin disclosure to be placed in the neck of the garment or, for garments without necks, on a conspicuous place on the inside or outside of the product.
2. All products to be separately labeled. (Hosiery packaged for direct sale to the consumer, however, may have all required information on a label affixed to that package.)
3. All packages (in addition to the products) to be labeled, unless the package is transparent and the individual product label can be seen through the package.
4. Mail order catalogs and mail order promotional materials to disclose in the description of each textile and wool product whether the product is made in the USA, imported, or both.

The Federal Trade Commission (FTC) further amended the rules and regulations, effective May 17, 1985, so that final regulations for the disclosure of the country of origin of imported textile and wool products (including those under the "807" program for textile or wool products assembled and sewn together in a foreign country of components from the United States) would be consistent with U.S. Customs Service regulations.[5]

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[5] For further information, see "Recent trends in clothing and textiles," by Joan C. Courtless, Family Economics Review 85(2):6-7.

Requirements for the three different categories of domestic origin disclosure were defined as follows:

1. For products made entirely in the United States, the regulation provides that the words "Made in USA," or the equivalent, must be used.

2. For products made in the United States using foreign materials, the words "Made in the USA of imported fabric," or similar terms, must be used.

3. For products partially manufactured in the United States and partially manufactured in a foreign country, the regulation requires a disclosure that the product was, for example, "Sewn in USA of imported components."

The FTC requires a manufacturer to go back one step to determine origin--a manufacturer of yarn would look to the source of its fiber and a manufacturer of cloth would designate the source of its yarn. For products having both domestic and imported components or manufacturing operations, the foreign aspects may be described in general terms, such as "imported," rather than by specifying the foreign country involved.

The FTC added provisos permitting placement of the disclosure label in proximity to another label already affixed to the inside center of the neck, provided it is conspicuous to the consumer. Alternately, required information (origin, fiber content, and manufacturer's name) may be placed on a hang tag or label attached in a conspicuous place on the inside or outside of the garment, provided a label with country of origin is affixed to the inside neck in the center or just adjacent to the center label. Thus, a standard location for the country of origin is preserved, crowding of information in the neck area is alleviated, and the pre-existing requirement that all required information appear on the label together is retained.

Regulations concerning mail order catalogs and mail order promotional materials were amended to make clear that they apply only to advertising that solicits the retail buyer to purchase a product by telephone or mail without first examining that product. Regular advertising that attracts the retail buyer to the store to purchase the product is not covered.

The FTC suggests that mail order catalogs include a legend explaining the meaning of their country of origin disclosures. Also, mail order catalogs should use the phrase "Made in USA and Imported" to indicate partial manufacture in USA and partial manufacture in a foreign country, whereas "Made in USA or Imported" should be used when a product's source may be both domestic and foreign.

Employment of home workers in certain industries. The ban on employment of home workers in the knitted outerwear industry, which lasted nearly 40 years, has been rescinded (15). In the judgment of the U.S. Department of Labor, such a ban unfairly deprives persons of the right to work at home if they so choose.

In order to prevent the circumvention or evasion of the minimum wage provisions of the Fair Labor Standards Act, employers of industrial home workers in the knitted outerwear industry are required to obtain certificates from the U.S. Department of Labor authorizing such employment; this requirement was effective December 5, 1984. Employers without a certificate will be prohibited from employing home workers. Violations of the Fair Labor Standards Act can result in the denial or revocation of existing certificates for a period up to 1 year. The employer may be required to restore back wages found due employees. Goods produced in violation of the act are prohibited from commercial interstate shipment.

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Food and Nutrient Intakes by Women and Children, Spring 1985

The first report from USDA's Continuing Survey of Food Intakes by Individuals (CSFII) presents 1-day food and nutrient intake data for 1,503 women 19 to 50 years of age and their 548 children 1 to 5 years of age.[1] One-day dietary intakes on these individuals are being collected six times during a 1-year period that began in spring 1985. A future report is planned that will present the data for all 6 days. The CSFII, conducted by the Human Nutrition Information Service of the U.S. Department of Agriculture, is the first nationwide dietary intake survey to be performed on a regular basis in this country.[2] The survey complements the larger nationwide food consumption surveys conducted by USDA approximately every 10 years. The yearly data collection will provide up-to-date information on the adequacy of diets of selected population groups and early indications of dietary changes.

In the spring of 1985, the women reported dietary intakes for themselves and their children that were generally higher in food energy and as high or higher in all vitamins and minerals studied than the intakes reported by a comparable group of women and children in the spring of 1977 as part of USDA's Nationwide Food Consumption Survey 1977-78. Dietary intakes by both women and children were relatively lower in fat and higher in carbohydrate in 1985 than in 1977. The women in the CSFII survey reported diets that provided 37 percent of total Calories from fat--down from 41 percent in 1977; and 46 percent of total Calories from

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[1] Copies of the report, GPO No. 001-000-04458-3, are available for $4.25 from the Superintendent of Documents, Government Printing Office, Washington, DC 20402 (202-783-3238).

[2] For a more complete description of the survey, see "Continuing Survey of Food Intakes by Individuals," by Robert L. Rizek and Linda P. Posati, Family Economics Review 1985(1):16-17.

carbohydratedrate--up from 41 percent in 1977. Total Calories consumed were 6 percent higher in 1985 than in 1977.

Women's intakes on average (regardless of income, race, region, or urbanization) were above the 1980 Recommended Dietary Allowances (RDA) for 8 of 15 nutrients but failed to meet the RDA for vitamin B-6, vitamin E, folacin, calcium, iron, magnesium, and zinc. Children's intakes of food energy and nutrients, expressed as percentages of the 1980 RDA, were higher in 1985 than in 1977. However, their iron and zinc intakes failed to meet the RDA (88 percent and 84 percent, respectively) in 1985.

Both women and children reported drinking a higher percentage of lowfat or skim milk than whole milk in 1985. They both used more grain products. Women shifted away from eating meat separately toward eating meat as part of mixtures, such as stews, and so forth (see table below). A higher proportion of women reported use of soft drinks in 1985 than in 1977.

Eating snacks was reported by larger percentages of women and children in 1985 than in 1977. In 1985, 76 percent of the women and 83 percent of the children identified one or more of their eating occasions as a "snack." In 1977, 60 percent of the women and 62 percent of the children reported one or more snacks. In 1985, 57 percent of women and 43 percent of children obtained and ate some food away from home on the day of the survey, compared with 45 percent of women and 30 percent of children in 1977.

Source: U.S. Department of Agriculture, Human Nutrition Information Service, 1985, Women 19-50 Years and Their Children 1-5 Years, 1 Day--1985, Nationwide Food Consumption Survey, Continuing Survey of Food Intakes by Individuals, NFCS, CSFII Report No. 85-1.

Use of selected foods in a day in spring 1985, by women ages 19 to 50, and change from spring 1977

Food group or subgroup	Individuals using	Mean intakes: 1985	Mean intakes: Change from 1977 to 1985
	Percent	Grams	Percent
Total meat, poultry, and fish	88	181	-3
Meat mixtures	37	88	+35
Beef (reported separately)	23	27	-45
Pork (reported separately)	20	14	-22
Poultry (reported separately)	19	22	-8
Fish and shellfish (reported) separately)	12	13	+18
Total fluid milk	51	141	-5
Whole	26	64	-35
Lowfat or skim	26	77	+60
Eggs	24	18	-28
Total vegetables	83	173	-8
Total grain products	94	209	+29
Grain mixtures	26	74	+72
Total carbonated soft drinks	54	287	+53
Regular	36	179	+28
Low-calorie	20	105	+123

Source: U.S. Department of Agriculture, Human Nutrition Information Service, 1985, Women 19-50 Years and Their Children 1-5 Years, 1 Day--1985, Nationwide Food Consumption Survey, Continuing Survey of Food Intakes by Individuals, NFCS, CSFII Report No. 85-1.

Food Habits of Vietnamese Immigrants

By Amy Tong
Home economist
Human Nutrition Information Service

Since 1975, a large number of Vietnamese refugees have fled to the United States from South Vietnam. The Vietnamese are making a relatively rapid assimilation into American society. Nevertheless, these immigrants encounter many problems in making the transition, including a different climate, an unfamiliar language, scarce or expensive housing, lack of employment, and culture shock. Unfamiliar food and a different food marketing system are among the most immediate problems confronting Vietnamese immigrants.

TRADITIONAL FOOD HABITS

In Vietnam, food is purchased daily. Vendors sell meat, seafood and fish, fresh produce, and other foods in open markets.

The Vietnamese spend much time in food preparation. Meat and vegetables are cut into bite-size pieces before they are cooked. Cooking methods include boiling, steaming, stir-frying, simmering, and charcoal broiling.

In the homeland, a Vietnamese typically consumes three meals a day. Breakfast is usually a light meal served with a soup called pho (which contains rice noodles, thin slices of beef or chicken, bean sprouts, and fresh herbs), or eggs with french bread, or sticky rice with mung beans (xoi). Lunch and dinner are more substantial, consisting of several dishes served communal style. Rice is eaten with small quantities of fish, seafood, or meat; soybean curd (tofu); and fresh vegetables. Other dishes include soup and fresh fruits.

The Vietnamese use fish sauce, nuoc mam, as a condiment and as a seasoning in addition to soy sauce and salt. Nuoc mam is prepared by fermenting layers of fresh fish and salt in large barrels. After several months, a liquid that contains significant amounts of protein and other water-soluble nutrients is drained off. The first draining is considered to be the best quality fish sauce (nuoc mam nhut).

Tea typically is consumed at every meal. The Vietnamese will drink carbonated beverages but only occasionally. Fresh cow's milk and other dairy products, however, are nearly unknown. In the cities the well-to-do have acquired a taste for canned, sweetened condensed milk and often use it in breakfast coffee.

CHARACTERISTICS OF VIETNAMESE IMMIGRANTS (3)

More than 0.5 million Vietnamese have been admitted to the United States since 1975. Forty percent of this population resettled in California, and the remaining 60 percent are scattered across the country. The greater Washington, DC, area has the largest number of Vietnamese immigrants of any metropolitan area in the Nation.

The high educational level of Vietnamese immigrants has contributed to easing language and employment barriers compared to immigrants from other countries. Over 36 percent have attended college. Monthly take-home income of Vietnamese immigrants is higher than that of Cambodian and Laotian immigrants.

The Vietnamese live in nuclear or extended families with an average of five members. This large size has made it difficult for many families to find appropriate housing immediately. However, with a socially ingrained ethic of shared familial responsibility and a lifestyle oriented toward few goods, minimal luxury, and a propensity to save, many Vietnamese have been able to purchase single-family dwellings.

DIETARY PATTERNS IN THE UNITED STATES

What has happened to Vietnamese dietary habits in the United States? Have the Vietnamese families adopted an American diet? Or have they maintained the traditional food patterns? A limited survey conducted in 1979 provides some insights into the food patterns of Vietnamese immigrants (2).

Detailed information on food habits of 50 households of Vietnamese immigrants who came to the greater Washington, DC, area in 1975 was obtained through a dietary recall of the type of meals, the foods used (aided by a comprehensive food list), and the increase or decrease in consumption of selected foods in the United States compared with Vietnam. The interview was aimed at the female household member who was most responsible for family food preparation. A discussion of the major findings follows.

Changes in Food Practices

In the United States, the Vietnamese generally changed their food buying practices--that is, they made purchases less often and shopped for food in oriental food stores and supermarkets. Many dietary modifications occurred as well.

Although rice continued to be eaten abundantly by all 50 households at least once a day (at supper in the evening), it had been partially replaced or supplemented by bread or instant noodles at lunch and cereals at breakfast. The consumption of red meat and poultry was higher in this country, where costs are more reasonable than in the homeland. On the other hand, fish and seafood were eaten much less because of the lack of fresh and familiar kinds in the supermarkets. The survey further showed a decrease in consumption of bananas and an increase in consumption of oranges and juices.

In all, 30 percent of the families in the survey changed their eating habits after they came to America, but the remaining 70 percent did not change at all. Those who had modified their eating patterns cited various reasons. For example, many women worked outside the home; consequently, they had less time to shop for familiar foods. These women also had less time than in Vietnam to prepare traditional meals and had none of the kitchen help that many previously depended on. Of course, there is always pressure to one degree or another to adapt to the American lifestyle. This pressure seemed to be greater in Vietnamese families having children in school. As a result of their school participation in the American ways of life, the children often become the agents in bringing about changes in the traditional food habits. Nevertheless, the Vietnamese immigrants, particularly the older generations, continued to eat native foods because they are foods they like and have always eaten. Also, this adherence to traditional food habits provided psychological stability and reassurance during the period of great uncertainty which developed as the refugees moved from one country, with its tradition and culture, to a country that is totally different.

Dietary Overview

Rice, vegetables, poultry, fruit, and pork and pork products were the five types of food most frequently eaten by the Vietnamese immigrants. Milk and milk products was the least used of the basic food groups. Problems associated with drinking milk due to lactose intolerance have been reported to be high among the Vietnamese (1). Respondents expressed dislike for some American foods (see table). Reasons frequently cited were texture, flavor, and high fat content.

American foods liked and disliked by Vietnamese immigrants[1]

Food items	Number of households
Likes:	
Steak	20
Fried chicken	14
Roast beef	12
Barbecue	5
Spaghetti and meatballs	4
Ham	3
Cheeseburgers	3
Potato chips	3
Turkey	2
Macaroni and cheese	1
Potato salad	1
Apple pie	1
Dislikes:	
Hot dogs	24
Hamburgers	18

[1]50 households surveyed in Washington, DC, in 1979.

Source: Tong, A., 1979, Food habits of Vietnamese immigrants in the greater Washington, DC, area, [Unpublished thesis, Howard University, Washington, DC].

All 50 household respondents had tasted American food--8 at the homes of American friends, 22 at restaurants, and 18 at both places. Only 2 families had tried American food in their own homes only.

Compared to the American diet, the diets of the Vietnamese immigrants had a much smaller amount of meat and fat and dairy products. The Vietnamese generally ate adequate amounts of starch and fiber. The average number of times people had foods from the fats, sweets (cookies, cakes, and so forth), and alcohol group was relatively low. On the other hand, the consumption of soft drinks was high.

Guidance for Nutrition Educators

The diet of Vietnamese immigrants is basically a healthy one. The Vietnamese should be encouraged to maintain their good dietary habits and modify poor food practices by reducing the amount of salt and increasing the consumption of milk and dairy products.

Nutrition educators and health service providers must be aware of cultural differences when providing nutrition advice. With nutrition education, balanced diets based on readily available American foods (yet prepared in a traditional manner) are possible--and may even in the long run enrich America's diverse dietary patterns and culinary heritage.

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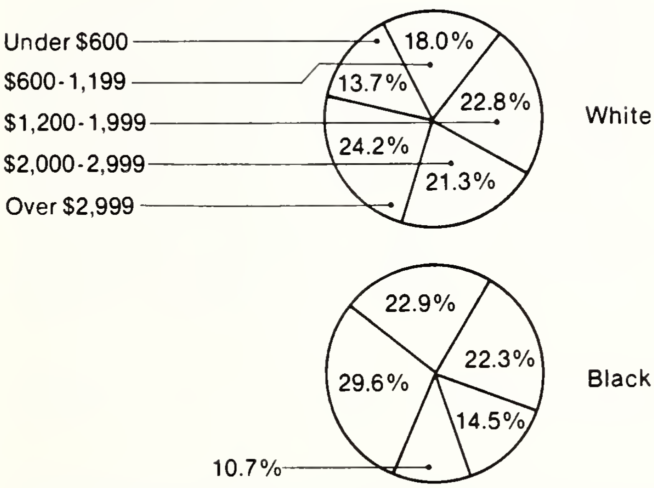
Some New USDA Charts

Chart 142

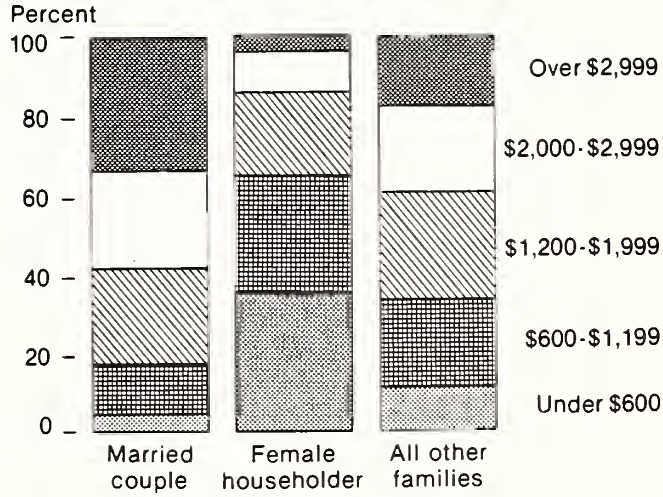
Monthly Household Cash Income by Race



First quarter, 1984 data. Average income. Source: Survey of Income and Program Participation, Bureau of the Census.

Chart 143

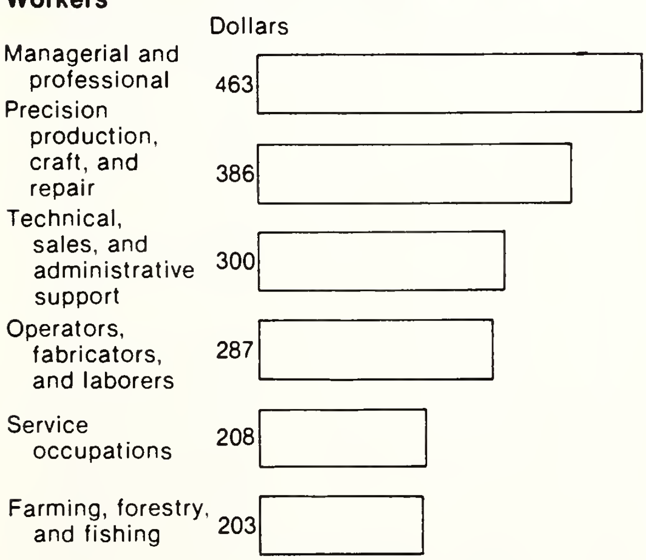
Monthly Household Cash Income by Family Household Type



First quarter, 1984 data. Average income. Households headed by females had children under 18, but no husbands present. Source: Survey of Income and Program Participation, Bureau of the Census.

Chart 144

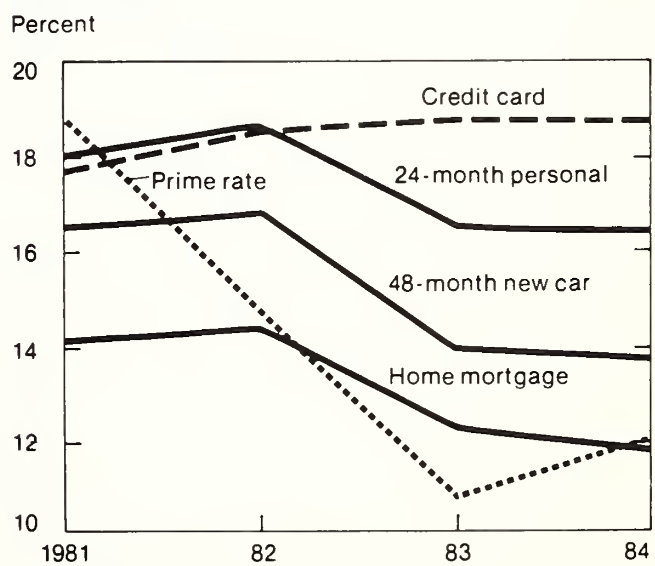
Weekly Earnings, Full-Time Wage and Salary Workers



1984 median earnings. Source: Bureau of Labor Statistics.

Chart 146

Loan Rates



Annual averages. Source Federal Reserve Bulletin.

Households, Families, and Living Arrangements, March 1985

There were approximately 86.8 million households in the United States in March 1985, a net increase of about 1.4 million households over the previous year. Since 1980 the number of households has increased by an average of 1.2 million annually, compared with 1.6 million annually from 1970 to 1980.

Nonfamily households accounted for the greatest proportion of the increase in the number of households between 1980 and 1985 (48 percent). Married-couple households accounted for the smallest share of the increase (21 percent), whereas those family households not maintained by married couples accounted for 32 percent.

The share of all households represented by families has fallen slightly since 1980 but is substantially below the corresponding proportion for 1970 (see table below). In 1985 there were 50.4 million married-couple families. Of other family households, 10.1 million had a female householder (no husband present), and 2.2 million had a male householder (no wife present). There were 24.1 million nonfamily households, 14.0 maintained by women and 10.1 maintained by men.

The average number of persons per household was 2.69 in 1985--the lowest ever recorded. Corresponding numbers in 1980 and

Household composition--1985, 1980, and 1970

[Numbers in thousands]

Type of household	1985		1980		1970	
	Number	Percent	Number	Percent	Number	Percent
All households	86,789	100.0	80,776	100.0	63,401	100.0
Family households	62,706	72.3	59,550	73.7	51,456	81.2
No own children under 18	31,594	36.4	28,528	35.3	22,725	35.8
With own children under 18	31,112	35.8	31,022	38.4	28,731	45.3
Married-couple family	50,350	58.0	49,112	60.8	44,728	70.5
No own children under 18	26,140	30.1	24,151	29.9	19,196	30.3
With own children under 18	24,210	27.9	24,961	30.9	25,532	40.3
Other family, male householder	2,228	2.6	1,733	2.1	1,228	1.9
No own children under 18	1,331	1.5	1,117	1.4	887	1.4
With own children under 18	896	1.0	616	0.8	341	0.5
Other family, female householder	10,129	11.7	8,705	10.8	5,500	8.7
No own children under 18	4,123	4.8	3,261	4.0	2,642	4.2
With own children under 18	6,006	6.9	5,445	6.7	2,858	4.5
Nonfamily households	24,082	27.7	21,226	26.3	11,945	18.8
Male householder	10,114	11.7	8,807	10.9	4,063	6.4
Living alone	7,922	9.1	6,966	8.6	3,532	5.6
Female householder	13,968	16.1	12,419	15.4	7,882	12.4
Living alone	12,680	14.6	11,330	14.0	7,319	11.5

Source: U.S. Department of Commerce, Bureau of the Census, 1985, Households, families, marital status, and living arrangements: March 1985 (Advance report), Current Population Reports, Population Characteristics, P-20, No. 402.

1970 were 2.76 and 3.14. Average family size also has declined, from 3.58 in 1970 to 3.29 in 1980 and 3.23 in 1985. These changes reflect, among other things, a decrease in the average number of persons under 18 years old in households and families and a substantial increase in the proportion of households that contain only one person.

One of the trends affecting changes in household and family composition has been an increase in the age at which young men and women typically get married. Median age at first marriage rose slowly between 1960 and 1970 but has increased dramatically since 1970. In 1985 the median age was 25.5 years for men and 23.3 years for women--an increase since 1970 of 2.3 years for men and 2.5 years for women. The median for women is the highest ever recorded in the United States.

Source: U.S. Department of Commerce, Bureau of the Census, 1985, Households, families, marital status, and living arrangements: March 1985 (Advance report), Current Population Reports, Population Characteristics, P-20, No. 402.

Consumer Prices

Consumer Price Index for all urban consumers [1967 = 100]

Group	Unadjusted indexes			
	Jan. 1986	Dec. 1985	Nov. 1985	Jan. 1985
All items	328.4	327.4	326.6	316.1
Food	315.6	313.2	311.0	307.3
Food at home	302.5	299.3	296.6	296.1
Food away from home	353.1	352.1	351.3	339.9
Housing	356.8	355.8	355.0	342.0
Shelter	393.8	392.3	391.3	371.2
Rent, residential	273.4	272.4	271.7	257.1
Fuel and other utilities	394.6	393.3	392.1	387.2
Fuel oil, coal, and bottled gas	650.3	657.3	641.6	621.6
Gas (piped) and electricity	442.6	439.9	440.5	441.1
Household furnishings and operation	248.8	248.8	248.9	244.2
Apparel and upkeep	205.0	209.0	211.2	199.8
Men's and boys'	198.6	202.0	203.6	193.2
Women's and girls'	164.4	172.6	176.5	161.3
Footwear	209.1	213.1	215.5	208.6
Transportation	323.9	324.0	323.2	314.7
Private	317.3	317.8	317.0	309.1
Public	419.6	412.9	412.8	394.5
Medical care	418.2	414.7	413.0	391.1
Entertainment	270.8	268.3	269.0	261.0
Other goods and services	339.1	336.5	335.3	319.1
Personal care	288.1	286.3	285.4	277.2

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Updated Estimates of the Cost of Raising a Child

The cost of raising urban children: 1985 annual average; moderate-cost level[1]

Region and age of child (years)	Total	Food at home[2]	Food away from home	Clothing	Housing[3]	Medical care	Education	Transportation	All other[4]
MIDWEST:[5]									
Under 1	$4,430	$571	$0	$141	$1,905	$299	$0	$885	$629
1	4,560	701	0	141	1,905	299	0	885	629
2-3	4,244	701	0	230	1,674	299	0	771	569
4-5	4,494	805	146	230	1,674	299	0	771	569
6	4,701	779	146	318	1,588	299	141	771	659
7-9	4,883	961	146	318	1,588	299	141	771	659
10-11	5,065	1,143	146	318	1,588	299	141	771	659
12	5,406	1,169	175	459	1,646	299	141	828	689
13-15	5,536	1,299	175	459	1,646	299	141	828	689
16-17	6,070	1,454	175	636	1,703	299	141	913	749
Total	90,100	18,206	2,218	6,218	30,024	5,382	1,692	14,618	11,742
NORTHEAST:									
Under 1	4,389	675	0	141	1,934	299	0	771	569
1	4,545	831	0	141	1,934	299	0	771	569
2-3	4,425	805	0	247	1,761	299	0	714	599
4-5	4,675	909	146	247	1,761	299	0	714	599
6	5,030	909	175	336	1,732	299	176	714	689
7-9	5,212	1,091	175	336	1,732	299	176	714	689
10-11	5,445	1,324	175	336	1,732	299	176	714	689
12	5,776	1,324	175	494	1,790	299	176	799	719
13-15	5,932	1,480	175	494	1,790	299	176	799	719
16-17	6,357	1,636	204	618	1,819	299	176	856	749
Total	94,976	20,800	2,450	6,498	32,102	5,382	2,112	13,590	12,042
SOUTH:									
Under 1	4,826	623	0	159	2,050	333	0	942	719
1	4,956	753	0	159	2,050	333	0	942	719
2-3	4,643	727	0	247	1,819	333	0	828	689
4-5	4,867	805	146	247	1,819	333	0	828	689
6	5,169	805	175	336	1,732	333	211	828	749
7-9	5,325	961	175	336	1,732	333	211	828	749
10-11	5,533	1,169	175	336	1,732	333	211	828	749
12	5,895	1,169	204	494	1,790	333	211	885	809
13-15	6,050	1,324	204	494	1,790	333	211	885	809
16-17	6,495	1,454	204	636	1,848	333	211	970	839
Total	98,047	18,515	2,566	6,570	32,624	5,994	2,532	15,644	13,602
WEST:									
Under 1	4,753	623	0	141	1,992	366	0	942	689
1	4,909	779	0	141	1,992	366	0	942	689
2-3	4,656	753	0	230	1,790	366	0	828	689
4-5	4,935	857	175	230	1,790	366	0	828	689
6	5,309	831	204	336	1,761	366	176	856	779
7-9	5,491	1,013	204	336	1,761	366	176	856	779
10-11	5,725	1,247	204	336	1,761	366	176	856	779
12	6,040	1,247	204	477	1,819	366	176	942	809
13-15	6,169	1,376	204	477	1,819	366	176	942	809
16-17	6,764	1,558	233	600	1,905	366	176	1,027	899
Total	100,151	19,477	2,856	6,326	32,796	6,588	2,112	16,154	13,842

[1] Annual cost of raising a child from birth to age 18, by age, in a husband-wife family with no more than 5 children. For more information on these and additional child cost estimates, see USDA Miscellaneous Publication No. 1411, "USDA Estimates of the Cost of Raising a Child: A Guide to Their Use and Interpretation," by Carolyn S. Edwards, Family Economics Research Group, Agricultural Research Service, USDA.

[2] Includes home-produced food and school lunches.

[3] Includes shelter, fuel, utilities, household operations, furnishings, and equipment.

[4] Includes personal care, recreation, reading, and other miscellaneous expenditures.

[5] Formerly the North Central Region.

The cost of raising rural nonfarm children: 1985 annual average; moderate-cost level[1]

Region and age of child (years)	Total	Food at home[2]	Food away from home	Clothing	Housing[3]	Medical care	Education	Transportation	All other[4]
MIDWEST:[5]									
Under 1	$4,186	$519	$0	$124	$1,819	$299	$0	$856	$569
1	4,316	649	0	124	1,819	299	0	856	569
2-3	3,836	623	0	194	1,530	266	0	714	509
4-5	4,057	727	117	194	1,530	266	0	714	509
6	4,392	727	146	300	1,501	266	141	742	569
7-9	4,548	883	146	300	1,501	266	141	742	569
10-11	4,756	1,091	146	300	1,501	266	141	742	569
12	5,119	1,091	146	459	1,559	266	141	828	629
13-15	5,249	1,221	146	459	1,559	266	141	828	629
16-17	5,633	1,350	175	565	1,588	299	141	856	659
Total	83,968	16,880	2,044	5,790	28,176	4,920	1,692	14,044	10,422
NORTHEAST:									
Under 1	4,861	623	0	141	2,050	299	0	999	749
1	4,991	753	0	141	2,050	299	0	999	749
2-3	4,765	727	0	230	1,877	299	0	913	719
4-5	5,044	831	175	230	1,877	299	0	913	719
6	5,421	831	204	336	1,848	299	211	913	779
7-9	5,577	987	204	336	1,848	299	211	913	779
10-11	5,811	1,221	204	336	1,848	299	211	913	779
12	6,161	1,221	204	512	1,905	299	211	970	839
13-15	6,316	1,376	204	512	1,905	299	211	970	839
16-17	6,864	1,532	233	671	1,963	299	211	1,056	899
Total	102,0811	19,139	2,856	6,608	34,242	5,382	2,532	17,120	14,202
SOUTH:									
Under 1	5,026	623	0	159	2,050	333	0	1,142	719
1	5,130	727	0	159	2,050	333	0	1,142	719
2-3	4,643	701	0	247	1,761	333	0	942	659
4-5	4,922	805	175	247	1,761	333	0	942	659
6	5,134	779	175	336	1,703	333	176	913	719
7-9	5,290	935	175	336	1,703	333	176	913	719
10-11	5,498	1,143	175	336	1,703	333	176	913	719
12	5,907	1,143	204	512	1,761	333	176	999	779
13-15	6,037	1,273	204	512	1,761	333	176	999	779
16-17	6,549	1,428	233	724	1,790	333	176	1,056	809
Total	98,402	18,050	2,682	6,818	31,986	5,994	2,112	17,638	13,122
WEST:									
Under 1	5,220	623	0	141	2,079	366	0	1,142	869
1	5,350	753	0	141	2,079	366	0	1,142	869
2-3	4,829	727	0	230	1,790	333	0	970	779
4-5	5,108	831	175	230	1,790	333	0	970	779
6	5,510	805	175	353	1,761	366	211	970	869
7-9	5,692	987	175	353	1,761	366	211	970	869
10-11	5,900	1,195	175	353	1,761	366	211	970	869
12	6,310	1,195	204	530	1,819	366	211	1,056	929
13-15	6,465	1,350	204	530	1,819	366	211	1,056	929
16-17	7,082	1,532	233	618	1,934	366	211	1,199	989
Total	104,699	18,957	2,682	6,676	33,028	6,456	2,532	18,606	15,762

[1] Annual cost of raising a child from birth to age 18, by age, in a husband-wife family with no more than 5 children. For more information on these and additional child cost estimates, see USDA Miscellaneous Publication No. 1411, "USDA Estimates of the Cost of Raising a Child: A Guide to Their Use and Interpretation," by Carolyn S. Edwards, Family Economics Research Group, Agricultural Research Service, USDA.

[2] Includes home-produced food and school lunches.

[3] Includes shelter, fuel, utilities, household operations, furnishings, and equipment.

[4] Includes personal care, recreation, reading, and other miscellaneous expenditures.

[5] Formerly the North Central Region.

Cost of Food at Home, U.S. and Regions

Cost of food at home estimated for food plans at 4 cost levels, January 1986, U.S. average[1]

Sex-age group	Cost for 1 week				Cost for 1 month			
	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan
FAMILIES								
Family of 2:[2]								
20-50 years	$37.80	$47.80	$59.20	$73.40	$164.00	$207.40	$256.20	$317.70
51 years and over	35.70	45.90	56.50	67.60	155.10	198.70	245.20	293.10
Family of 4:								
Couple, 20-50 years and children--								
1-2 and 3-5 years	55.00	68.70	84.10	103.00	238.10	297.60	363.90	445.90
6-8 and 9-11 years	63.10	80.70	101.10	121.60	273.40	349.80	437.60	526.70
INDIVIDUALS[3]								
Child:								
1-2 years	9.90	12.00	14.00	16.80	42.80	52.00	60.60	72.80
3-5 years	10.70	13.20	16.30	19.50	46.20	57.10	70.40	84.30
6-8 years	13.10	17.40	21.80	25.50	56.80	75.50	94.40	110.30
9-11 years	15.60	19.80	25.50	29.40	67.50	85.80	110.30	127.60
Male:								
12-14 years	16.30	22.50	28.00	32.90	70.70	97.40	121.50	142.60
15-19 years	16.90	23.30	28.90	33.40	73.20	101.00	125.20	144.90
20-50 years	18.10	23.10	29.00	35.00	78.40	100.20	125.60	151.40
51 years and over	16.40	22.00	27.00	32.40	71.10	95.20	117.10	140.40
Female:								
12-19 years	16.20	19.50	23.70	28.60	70.20	84.50	102.50	123.90
20-50 years	16.30	20.40	24.80	31.70	70.70	88.30	107.30	137.40
51 years and over	16.10	19.70	24.40	29.10	69.90	85.40	105.80	126.10

[1]Assumes that food for all meals and snacks is purchased at the store and prepared at home. Estimates for the thrifty food plan were computed from quantities of foods published in Family Economics Review, 1984 No. 1. Estimates for the other plans were computed from quantities of foods published in Family Economics Review, 1983 No. 2. The costs of the food plans are estimated by updating prices paid by households surveyed in 1977-78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics (CPI Detailed Report, table 3) to estimate the costs for the food plans.

[2]10 percent added for family size adjustment. See footnote 3.

[3]The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person--add 20 percent; 2-person--add 10 percent; 3-person--add 5 percent; 5- or 6-person--subtract 5 percent; 7- or more-person--subtract 10 percent.

Cost of food at home for food plans at 3 cost levels, January 1986, Northeastern region[1]

Sex-age group	Cost for 1 week			Cost for 1 month		
	Low-cost plan	Moderate-cost plan	Liberal plan	Low-cost plan	Moderate-cost plan	Liberal plan
FAMILIES						
Family of 2:[2]						
20-50 years	$50.60	$61.70	$77.40	$219.50	$267.20	$335.20
51 years and over......	48.30	59.00	71.40	208.90	255.80	309.40
Family of 4:						
Couple, 20-50 years and children--						
1-2 and 3-5 years	72.30	87.40	108.40	313.70	378.80	469.60
6-8 and 9-11 years ...	85.10	105.30	128.10	368.90	456.00	555.10
INDIVIDUALS[3]						
Child:						
1-2 years	12.50	14.40	17.50	54.30	62.60	76.00
3-5 years	13.80	16.90	20.50	59.90	73.30	88.90
6-8 years	18.30	22.70	26.70	79.30	98.30	115.90
9-11 years	20.80	26.50	31.00	90.10	114.80	134.50
Male:						
12-14 years	23.70	29.20	34.60	102.60	126.60	150.10
15-19 years	24.60	30.20	35.20	106.70	130.90	152.70
20-50 years	24.50	30.30	37.00	106.30	131.20	160.10
51 years and over......	23.20	28.20	34.20	100.40	122.40	148.30
Female:						
12-19 years	20.50	24.60	30.20	88.90	106.80	131.00
20-50 years	21.50	25.80	33.40	93.20	111.70	144.60
51 years and over......	20.70	25.40	30.70	89.50	110.10	133.00

[1] Assumes that food for all meals and snacks is purchased at the store and prepared at home. These estimates were computed from quantities in food plans published in Family Economics Review, 1983 No. 2. The costs of the food plans are estimated by updating prices paid by households surveyed in the Northeast in 1977-78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics for Boston, New York, and Philadelphia.

[2] 10 percent added for family size adjustment. See footnote 3.

[3] The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person--add 20 percent; 2-person--add 10 percent; 3-person--add 5 percent; 5- or 6-person--subtract 5 percent; 7-or-more-person--subtract 10 percent.

Cost of food at home for food plans at 3 cost levels, January 1986, Midwestern region[1]

Sex-age groups	Cost for 1 week			Cost for 1 month		
	Low-cost plan	Moderate-cost plan	Liberal plan	Low-cost plan	Moderate-cost plan	Liberal plan
FAMILIES						
Family of 2:[2]						
20-50 years	$45.80	$57.00	$69.70	$198.40	$247.10	$301.90
51 years and over	44.20	55.00	64.80	191.70	238.50	280.40
Family of 4:						
Couple, 20-50 years and children--						
1-2 and 3-5 years	65.70	81.20	98.20	284.80	351.80	425.20
6-8 and 9-11 years	77.30	97.50	115.60	334.80	422.60	501.00
INDIVIDUALS[3]						
Child:						
1-2 years	11.50	13.60	16.20	49.80	58.90	70.10
3-5 years	12.60	15.80	18.60	54.60	68.30	80.60
6-8 years	16.70	21.10	24.20	72.30	91.20	105.00
9-11 years	19.00	24.60	28.00	82.10	106.80	121.50
Male:						
12-14 years	21.50	27.10	31.20	93.10	117.30	135.20
15-19 years	22.10	27.80	31.60	95.90	120.50	136.90
20-50 years	22.10	27.90	33.20	95.80	121.10	143.80
51 years and over	21.20	26.30	31.00	91.90	113.90	134.20
Female:						
12-19 years	18.50	22.80	27.10	80.30	98.60	117.60
20-50 years	19.50	23.90	30.20	84.60	103.50	130.70
51 years and over	19.00	23.70	27.90	82.40	102.90	120.70

[1]Assumes that food for all meals and snacks is purchased at the store and prepared at home. These estimates were computed from quantities in food plans published in Family Economics Review, 1983 No. 2. The costs of the food plans are estimated by updating prices paid by households surveyed in the Midwest in 1977-78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics for Chicago, Cleveland, Detroit, and St. Louis.

[2]10 percent added for family size adjustment. See footnote 3.

[3]The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person--add 20 percent; 2-person--add 10 percent; 3-person--add 5 percent; 5- or 6-person--subtract 5 percent; 7-or-more-person--subtract 10 percent.

Cost of food at home for food plans at 3 cost levels, January 1986, Southern region[1]

Sex-age groups	Cost for 1 week			Cost for 1 month		
	Low-cost plan	Moderate-cost plan	Liberal plan	Low-cost plan	Moderate-cost plan	Liberal plan
FAMILIES						
Family of 2:[2]						
20-50 years	$46.40	$56.60	$69.30	$201.30	$245.90	$300.00
51 years and over......	44.50	54.10	63.80	192.90	234.70	276.20
Family of 4:						
Couple, 20-50 years and children--						
1-2 and 3-5 years....	66.90	80.50	97.20	290.10	349.10	420.70
6-8 and 9-11 years...	78.50	96.90	114.60	340.50	420.00	496.30
INDIVIDUALS[3]						
Child:						
1-2 years	11.80	13.50	15.90	51.30	58.30	68.90
3-5 years	12.90	15.50	18.30	55.80	67.30	79.10
6-8 years	17.00	20.90	23.90	73.70	90.40	103.70
9-11 years	19.30	24.50	27.70	83.80	106.10	119.90
Male:						
12-14 years	21.90	26.90	31.00	94.80	116.80	134.50
15-19 years	22.80	27.80	31.50	98.70	120.60	136.50
20-50 years	22.40	27.70	32.90	97.00	120.20	142.40
51 years and over......	21.20	25.70	30.40	91.90	111.50	131.70
Female:						
12-19 years	19.20	22.90	27.20	83.20	99.30	118.00
20-50 years	19.80	23.80	30.10	86.00	103.30	130.30
51 years and over......	19.30	23.50	27.60	83.50	101.90	119.40

[1]Assumes that food for all meals and snacks is purchased at the store and prepared at home. These estimates were computed from quantities in food plans published in Family Economics Review, 1983 No. 2. The costs of the food plans are estimated by updating prices paid by households surveyed in the South in 1977-78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics for Atlanta, Baltimore, and Washington, D.C.

[2]10 percent added for family size adjustment. See footnote 3.

[3]The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person--add 20 percent; 2-person--add 10 percent; 3-person--add 5 percent; 5- or 6-person--subtract 5 percent; 7-or-more-person--subtract 10 percent.

Cost of food at home for food plans at 3 cost levels, January 1986, Western region[1]

Sex-age groups	Cost for 1 week			Cost for 1 month		
	Low-cost plan	Moderate-cost plan	Liberal plan	Low-cost plan	Moderate-cost plan	Liberal plan
FAMILIES						
Family of 2:[2]						
20-50 years	$49.60	$59.90	$74.80	$215.20	$259.80	$324.20
51 years and over	47.30	57.60	69.40	204.70	249.70	300.80
Family of 4:						
Couple, 20-50 years and children--						
1-2 and 3-5 years	71.60	85.60	105.40	310.30	371.10	456.70
6-8 and 9-11 years	84.20	103.00	124.40	365.20	446.20	538.70
INDIVIDUALS[3]						
Child:						
1-2 years	12.60	14.40	17.30	54.50	62.30	74.90
3-5 years	13.90	16.70	20.10	60.20	72.60	87.10
6-8 years	18.30	22.40	26.10	79.40	96.90	112.90
9-11 years	20.80	26.10	30.30	90.20	113.10	131.10
Male:						
12-14 years	23.60	28.80	33.60	102.10	124.80	145.40
15-19 years	24.40	29.40	34.00	105.60	127.50	147.50
20-50 years	24.00	29.40	35.70	104.20	127.60	154.70
51 years and over	22.70	27.50	33.20	98.30	119.30	143.80
Female:						
12-19 years	20.40	24.10	29.20	88.50	104.50	126.40
20-50 years	21.10	25.10	32.30	91.40	108.60	140.00
51 years and over	20.30	24.90	29.90	87.80	107.70	129.70

[1]Assumes that food for all meals and snacks is purchased at the store and prepared at home. These estimates were computed from quantities in food plans published in Family Economics Review, 1983 No. 2. The costs of the food plans are estimated by updating prices paid by households surveyed in the West in 1977-78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics for Los Angeles and San Francisco.

[2]10 percent added for family size adjustment. See footnote 3.

[3]The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person--add 20 percent; 2-person--add 10 percent; 3-person--add 5 percent; 5- or 6-person--subtract 5 percent; 7-or-more-person--subtract 10 percent.

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Highlights

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